U.S. FOOD ASSISTANCE AND THE FOOD SECURITY ACT OF 1986

HEARING

BEFORE THE

INTERNATIONAL TASK FORCE

OF THE

SELECT COMMITTEE ON HUNGER
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

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THURSDAY, JULY 17, 1986

HOUSE OF REPRESENTATIVES,
INTERNATIONAL TASK FORCE,
SELECT COMMITTEE ON HUNGER,
Washington, DC.

The task force met, pursuant to call, at 10:15 a.m., in room 210, Cannon House Office Building, Hon. Tony P. Hall (chairman of the task force) presiding.

Member present: Representative Gilman.

OPENING STATEMENT OF HON. TONY P. HALL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. HALL. Good morning. Welcome to a hearing before the International Task Force of the Select Committee on Hunger. The task force today will dwell on U.S. food assistance in the Food Security Act of 1985.

As chairman of the International Task Force of the Select Committee on Hunger, I would like to welcome the witnesses before us on this topic.

The Select Committee on Hunger has spent the last few years monitoring and working on ways to improve the effectiveness of Public Law 480 and section 416 food aid programs. We have worked to better target those in need of U.S. food assistance and on more effective uses of food aid.

Through the adoption in last year's farm bill of several legislative provisions authored by members of this committee, I believe we are on the verge of making some significant progress in this area.

Our long-term goal is to help the poor to achieve food self-sufficiency, and legislation approved last year can bring that goal closer to reality.

Today we will discuss the implementation of this legislation, which includes improvements in the Public Law 480 Food for Peace Program, and section 416—the Surplus Donations Program. These changes include mandated minimums for monetization of U.S. commodities by nonprofit voluntary organizations and higher minimum commodity levels for overseas food aid distribution.

In addition, new authorities were approved that will generate local currencies under the Public Law 480 Title I Concessional Sales Program. Under this program, local currencies generated are

to be set-aside for reinvestment into the private sector in the recipient countries.

While it is the committee's understanding that the administration is working on the implementation and administrative guidelines for these new food aid authorities, many of the mandates in the farm bill of last year will not be achieved in fiscal 1986.

Today, we will try to identify what problems the administration as well as the nonprofit voluntary organizations have encountered in carrying out the required mandates in the Food for Peace and section 416 programs.

In addition, we will hear from the PVO community regarding their concerns over the administration's food aid policy with respect to India as well as problems they have encountered in maintaining food aid operations overseas.

I want to welcome each of the witnesses before us today and I look forward to your testimonies, and questions that might follow.

I now recognize Congressman Ben Gilman, an important and valuable member of the Hunger Committee.

OPENING STATEMENT OF HON. BENJAMIN A. GILMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. GILMAN. Thank you, Mr. Chairman.

I, too, want to join in welcoming our distinguished witnesses today—our Assistant Secretary for International Affairs of the USDA, Mr. Amstutz; Julia Chang Bloch, our Food for Peace Assistant Administrator, Larry Pezzullo of the Catholic Relief Services, and Doug Atwood, our country director for India-CARE. It is a pleasure to have these experts come before our committee.

Mr. Chairman, I want to thank you for arranging this important hearing. It is critical that members of our committee know the status of the food aid legislation that we enacted in last year's farm bill. The new section 108 which mandates that a minimum of 10 percent of the value of sales under title I be negotiated for foreign currencies, which in return be used to promote the private sector is certainly of great import. And if enacted correctly, that provision will undoubtedly serve as a prototype for future initiatives in this area.

I am pleased that Mr. Gulick is here with us, who was one of the fathers of that legislation—spent a great deal of time in helping us bring that legislation to the floor.

H.R. 4894 legislation that was introduced 2 months ago seeks to ensure congressional intent by adding micro enterprise credit as a component to that law, and we look forward to seeing how this could be implemented.

The increase in title II from 1.7 million metric tons to 1.9 is certainly a humanitarian gesture on the part of our Nation that all of us are proud of.

The long-awaited adjustments to section 416 are a relief to those of us who have been perplexed throughout the years about the wasted potential of America's surpluses.

Accordingly, Mr. Chairman, I look forward to hearing the thoughts, comments, and suggestions by our experts who are here as witnesses today.

Thank you, Mr. Chairman.

Mr. HALL. Thank you, Mr. Gilman.

We have before us our first witness, the Under Secretary for Commodity Programs at USDA, Mr. Amstutz. Under his leadership, USDA and AID are jointly responsible for the implementation of the food aid legislation passed in last year's farm bill.

Mr. Amstutz will report to this committee on the administration's progress in undertaking this task with particular attention to the use of surplus commodities held by the Commodity Credit Corporation for overseas food assistance and monetization.

Mr. Amstutz.

STATEMENT OF DANIEL G. AMSTUTZ, UNDER SECRETARY FOR INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS, U.S. DEPARTMENT OF AGRICULTURE

Mr. AMSTUTZ. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, I appreciate the opportunity to discuss with you the Department's food aid programs and the implementation of new provisions under the Food Security Act of 1985.

In the past decade there has been substantial progress in alleviating world food problems, although we need only to remember last year's news stories about Africa to know that the tasks remaining are formidable.

However, many of these remaining tasks are not related solely to food production. Our economists estimate that the food assistance needed to meet the minimum nutritional needs in the world's 69 developing countries declined sharply in 1985–86 and will fall an additional 1 million tons in 1986–87, largely because of the greatly improved food situation in Africa.

In 16 of the 20 sub-Saharan countries with national food emergencies last year, domestic cereal supplies have returned to normal. However, severe food shortages continue in Ethiopia, Angola, Mozambique, and Cape Verde, where we are continuing to provide assistance.

As I indicated, the total 1986–87 cereal needs for all 69 countries have dropped 1 million tons from 1985–86. The assessment is quite different for the various regions of Africa. In the sub-Sahara, 1986–87 projected needs are up from 1 year earlier by 205,000 tons in East Africa and up 436,000 tons in West Africa. Conversely, assessed needs are down by 57,000 tons in Central Africa and 80,000 tons in Southern Africa.

For Asia, additional cereal needs are 525,000 tons lower than for 1985–86.

Food needs to meet optimal nutrition levels are down 4.6 million tons from the 1985–86 assessed level of 20.3 million tons. These needs are concentrated in South Asia and East Africa, each of which requires 5.2 million tons.

Overall, annual global food production increases have been running slightly ahead of the population rate for the past 10 years. With food output and population growing at nearly the same rate, storage and distribution constraints on large volumes of food im-

ports are the key problems that limit progress in meeting food needs.

These constraints pose the greatest problems in East and Southern Africa and in South Asia, with Ethiopia, Mozambique and Bangladesh facing the greatest difficulties. According to USDA estimates, these constraints will limit the 69 developing countries from absorbing one-fifth of the cereals needed to meet minimal nutritional standards in 1985–86.

As a leader in agricultural production, the United States has long recognized its responsibility to help end world hunger. The United States is the world's largest food donor; it has provided more food assistance to developing countries than all other nations combined. We are also a major source of financial aid and technical assistance.

The cornerstone of the U.S. Food Aid Program is Public Law 480 or the Food for Peace Program. In the more than 30 years this law has been in existence, it has enabled the United States to meet emergency and short-term needs of hungry people around the world. Since 1954, the United States has distributed over 35 billion dollars' worth of farm products to over 100 countries.

The Public Law 480 Concessional Credit Sales Programs under titles I and III have been effective in economic development and in creating commercial markets for U.S. farm products. For fiscal 1986, the funding for this program is almost $900 million, which will provide long-term concessional financing for almost 5½ million metric tons of agricultural commodity exports. Our budget request for 1987 is $944.4 million, which should provide financing for a greater tonnage.

The Title II Donation Program is designed to relieve both chronic, long-term food shortages in lower income developing countries and emergency food requirements arising from natural disasters such as droughts or floods. A large portion of title II food assistance moves through U.S. private voluntary organizations. The fiscal 1986 title II budget is set at $754 million, which will provide 2.2 million metric tons—on a grain equivalent basis—of food donations.

We have requested a program level of $600 million for the 1987 title II Program, which will provide 1.9 million metric tons of food donations. This decrease reflects our expectation that food aid needs in sub-Saharan Africa in 1987 will be substantially below those of the past 2 years, plus the fact that lower commodity prices will enable us to provide a larger quantity of food with less dollars.

I should also note that we continue to have other resources to provide food aid should it be needed.

In addition to Public Law 480, agricultural commodities acquired by the Commodity Credit Corporation are made available under section 416 of the Agricultural Act of 1949 for carrying out programs of assistance abroad.

The Food Security Act of 1985 made several major amendments to section 416 with respect to the overseas donation of CCC commodities. The list of eligible commodities was expanded to effectively include all edible commodities held by the Commodity Credit Corporation. However, quantities of dairy products, grains and oilseeds acquired through price support operations may be made

available only if the Secretary determines that such quantities cannot be disposed of by CCC in normal domestic channels without impairment of the Price Support Program or sold abroad at competitive world prices.

Minimum quantities were established of certain commodities that the Secretary of Agriculture must make available annually. The Food Security Act of 1985 also broadened authority regarding the sale by recipients of donated commodities to support both distribution and certain developmental activities.

The authority to replenish the 4-million-ton food security wheat reserve was extended by the Food Security Act of 1985. The purpose of the reserve is to assure the availability of wheat for the Public Law 480 Program even though the domestic supply of wheat may become so limited that criteria for making wheat available under Public Law 480 could not be met except for urgent humanitarian purposes.

Up to 300,000 tons of wheat may be released from the reserve in any fiscal year, without regard to the domestic supply situation, to provide urgent humanitarian relief in any developing country suffering a major disaster when the wheat could not otherwise be made available in a timely manner. Wheat from the reserve was used in 1985 to help meet the African famine needs. The quantity used has been replenished and is available again if needed.

In addition to reauthorizing the food security wheat reserve and changing several aid programs, the Food Security Act of 1985 established two new programs—Food for Progress and the so-called local currency sales initiative—section 108 initiative.

The Food Security Act of 1985 authorizes a Food for Progress Program through fiscal year 1990 which seeks to use U.S. agricultural commodities to help developing countries improve their local food production. Under this program, commodities will be provided to countries that will work to implement private, free enterprise agricultural policies. Commodities provided under the program would be in addition to any assistance a country normally receives from the United States. The program can be carried out under the authority of either section 416 or title I of Public Law 480.

Mr. Chairman, negotiations are underway now for two Food for Progress Programs, and we expect agreements to be signed shortly.

Mr. HALL. Mr. Amstutz, I was wondering if you could possibly hold up on the rest of your testimony while Mr. Gilman and I make a rollcall vote.

Mr. AMSTUTZ. Yes.

Mr. HALL. We will be approximately 10 minutes.

[Recess.]

Mr. HALL. Mr. Secretary, why don't you go ahead and finish your testimony, please.

Mr. AMSTUTZ. Thank you, Mr. Chairman.

I had just finished talking about the Food for Progress initiative included in the 1985 Food Security Act.

The act also authorizes a new, innovative effort under the authority of title I, Public Law 480, to generate economic growth through the private sector in foreign countries. To achieve this goal, sales of commodities for local currency under title I of Public Law 480 have been reinstated.

The local currencies, accruing to the U.S. Government as a result of these sales, can be loaned to financial intermediaries in title I countries, who will then lend these currencies to local private entities, primarily in the agricultural sector. The procedures for this new program are being developed, and programs may be underway by early fiscal 1987, if not later this fiscal year.

Let me just add, Mr. Chairman, that we are pressing hard to begin this fiscal year.

The administration is committed to continuing its efforts to help meet the world's food assistance requirements. The lower prices which will result from the changes made in agricultural commodity programs by the Food Security Act of 1985, combined with our longstanding food aid efforts will give us the tools we need to meet that commitment.

Mr. Chairman, that does conclude my statement. I will be happy to respond to any questions.

Responses to Questions for Daniel Amstutz

Questions submitted by Hon. Tony P. Hall

Question. The Food Security Act mandates that a minimum of 500,000 metric tons of grains and oilseeds shall be distributed under the section 416 authority for each fiscal year beginning in fiscal 1986. Does the administration expect to meet the mandated minimum? Could you also give me examples of the kinds of proposals you will be approving under this new authority?

Answer. The act requires that these levels be made available by the Secretary of Agriculture. This has been done for fiscal 1986. Future availability determinations depend on the stock situation of the Commodity Credit Corporation. We do expect to make the required fiscal 1987 availability early in that fiscal year.

We expect to approve proposals such as emergency feeding activities, on-going feeding programs designed to help needy people, refugee feeding activities, food for work activities, and sales to support such things as internal distribution costs.

Question. Can you provide an estimate of the volume of grains and oilseeds, and in particular wheat, the Commodity Credit Corporation is currently holding in storage—which can be tapped for use under section 416—and whether you expect this volume to increase?

Answer. As of early July estimated stocks held by the Commodity Credit Corporation were about 45 million tons of grains and oilseeds, of which almost 19 million tons were wheat. These stocks are to be used for many purposes.

The following levels of these commodities have been determined available for use in the section 416 program this fiscal year: wheat, 250,000 metric tons; barley, 50,000 metric tons; corn, 50,000 metric tons; sorghum, 50,000 metric tons; rice, 50,000 metric tons; and soybeans, 50,000 metric tons.

A fiscal year 1987 availability determination will be made and is expected to at least equal these levels.

Question. Does the administration expect to meet the mandated minimums for monetization under Public Law 480, title II and section 416? Can you provide the committee with examples of the kinds of monetization proposals you will be approving or have under consideration?

Answer. Since most title II programs for fiscal year 1986 were already approved and being supplied when this provision was passed, it is unclear whether the mandated minimum for that program will be met this year. However, we would expect it to be met in the future. With respect to section 416, we do expect a substantial level of monetization to take place in the total program. How much will be undertaken by the private voluntary agencies and cooperatives is unclear.

Question. Should the administrative use the unobligated funds in Public Law 480 to finance the Contra Aid package, is the administration prepared to utilize section 416 commodities to make up the difference in Public Law 480 food aid programs until new funds are provided for fiscal 1987?

Answer. The administration is reviewing the requirement passed by the House of Representatives on the question. At present no decision has been made.

Question. Should the administration use funds from the $225 million African emergency reserve, will the administration have the ability to meet any emergen-

cies which may evolve in the Sudan during the next few months? Could the United States respond, without delay, without coming to Congress for supplemental funds, to several million Sudanese facing starvation? We have already lost hundreds of thousands of people to famine in Ethiopia and the Sudan. Are more lives not threatened by the administration's efforts to divert African food aid for political programs in Central America?

Answer. Yes, the administration does have the ability to meet food needs in the Sudan as well as other areas over the next several months. Naturally new moneys become available on October 1 when the new fiscal year begins. In addition section 416 authority can be used to meet such needs and the Emergency Wheat Reserve of 300,000 tons held by the Commodity Credit Corporation is also available.

QUESTIONS SUBMITTED BY HON. TONY P. HALL AND HON. MARGE ROUKEMA

Question. Does the administration intend to obligate all unobligated funds under Public Law 480, both titles I and II, before the end of the fiscal year? And, will these funds be obligated to carry out food assistance activities under Public Law 480 in fiscal year 1986?

Answer. We expect to obligate all of the Public Law 480 funds committee in programs under both titles. However, it should be remembered that actual obligation occurs when commodities leave U.S. ports; therefore, to obligate funds in fiscal year 1986 shipments must take place by September 30, 1986. The U.S. Government does not control all the variables than can determine this date. Any funds committed and obligated under Public Law 480 will be used to support food assistance activities.

Question. Which development assistance accounts does the administration plan to tap in order to finance the Contra Aid package? Let me remind the administration that they have not accounted for the $225 million African emergency food reserve in their fiscal year 1986 budget.

Answer. The administration has not yet decided which of the sources directed by the House of Representives would be used to comply with this requirement. Also Senate action is still needed to have completed legislation.

QUESTION SUBMITTED BY HON. BENJAMIN A. GILMAN

Question. When will the administration finalize its guidelines for section 108 under title I? Do these guidelines include the use of local currencies to provide for small-scale credit assistance to low-income farmers and microentrepreneurs? What are you doing to encourage the use of the local currencies for small-scale development programs?

Answer. The administration is in the process of completing the guidelines for this program. We, of course, realize that since this is a new program we will learn as we proceed and therefore can expect the guidelines to evolve to reflect experience gained. The guidelines, following the tenor of section 1111, are not restrictive and allow the private market to determine the flow of these credits funds. We would expect these funds to reach many and varied entrepreneurs, especially in those activities carried out by the private voluntary agencies or cooperatives.

[The prepared statement of Mr. Amstutz appears at the conclusion of the hearing, see p. 38.]

Mr. HALL. Are you finished?

Mr. AMSTUTZ. Yes, sir.

Mr. HALL. Thank you.

I have a couple of questions, Mr. Secretary, and if I may I would like to ask you a few of them.

The first one deals with the Food Security Act that we passed last year. We mandated a minimum of 500,000 metric tons of grains and oilseeds for distribution through section 416 for each fiscal year beginning in 1986 through fiscal year 1990.

My question is: Does the administration plan to meet these mandates?

Mr. AMSTUTZ. Yes; the answer is a simple yes. So far, I think the number allocated is only 130,000 tons for this year under 416. But we are actively at work around the world with additional initiatives.

I am not quite sure what the total will end up being. Obviously, we make them available and then it has to do with the recipient country as well. We are really rather aggressively hawking these around the world.

Mr. HALL. You mean the section 416 commodities?

Mr. AMSTUTZ. Yes.

Mr. HALL. What commodities will be available?

Mr. AMSTUTZ. Well, the principal commodities of interest will be wheat, rice, dairy products. But, by and large, other commodities in our inventory would be available, too. But those of primary interest will be wheat and rice, and the dairy products.

Mr. HALL. Can you give us an idea of some examples of the kinds of proposals that are coming to you for section 416 commodities?

Mr. AMSTUTZ. For Ethiopia, for example, through three different PVO's we have done nonfat dried milk. Through one PVO, bulgur, which is a processed wheat. The same processed wheat from Tanzania. In Pakistan, Haiti, Chile, Mexico and Tunisia—all have done nonfat dried milk. Haiti, Chile, Mexico, Tunisia—butteroil and cheese. To the Dominican Republic, we have done, on a government-to-government basis, milk, butteroil, butter. We have done to Mexico, on a government-to-government basis, milk, butteroil and cheese. For Mauritania, Costa Rica, and Chile again, on a government-to-government basis, milk and oil.

Via the World Food Program we have reached something, if I would add them all up here, some 20-some countries in the dairy area. Under the Food for Progress Program that I indicated, we were hoping to make announcements shortly—and I will steal Julia Bloch's thunder and name the countries: Madagascar and Guinea. We expect some 75,000 tons of 416-source commodities will be used for that.

We are in active discussion with all of the, what I will label, as the Third World sugar-exporting countries that have been negatively impacted by a reduction in our sugar quotas. We are in active discussion with them to make available 416 commodities in an attempt to sort of balance the dollars, so to speak. This includes the Philippines, the Dominican Republic. These are two of the larger sugar exporters that come to mind—and there are others.

So it truly is a global effort in all areas—in all Third World countries around the world.

Mr. HALL. Can you give me an estimate of the value of the commodities that the CCC has currently in storage?

Mr. AMSTUTZ. Let me see if I have a value sheet here. I have tonnage figures here.

Mr. HALL. That will be fine.

Mr. AMSTUTZ. In the dairy area—and these figures I have, unfortunately, are just net CCC figures. They don't have subtracted from them the commitments we have against those.

In the dairy area, 949,000 tons, most of which is milk. The second largest is cheese, and the smallest is butter.

Mr. HALL. That is 949,000 tons of milk?

Mr. AMSTUTZ. Milk, cheese and butter.

Mr. HALL. How is it divided up?

Mr. AMSTUTZ. 476,000 tons of milk, 325,000 tons of cheese—I am obviously rounding—and 149,000 tons of butter. The total of those

three figures might be somewhat different from the 949,000 I have given you.

In the grains area, roughly 42 million tons, with the largest quantities being wheat and corn. Incidentally, corn is also available under 416 but the odds of it being of interest to a country are less than for a food grain like rice and wheat.

We have miscellaneous commodities: honey, beet and cane sugar.

Mr. HALL. The 42 million tons does not refer solely to the availability of wheat, does it, Mr. Amstutz?

Mr. AMSTUTZ. No, no, of all grains: barley, corn, oats, rice, sorghum, soybeans, wheat and rice. The total of all cereals—cereals and oilseeds.

Mr. HALL. How much wheat do you have?

Mr. AMSTUTZ. Sixteen.

Mr. HALL. Sixteen million tons.

Last year, as I remember, it was 11.

Mr. AMSTUTZ. Oh, yes, our inventories are expanding.

Mr. HALL. Now, what portion of this is available to 416?

Mr. AMSTUTZ. We really haven't made a specific allocation. What we have said to these countries around the world, that these commodities are on the 416 list.

Mr. HALL. Let's talk about another section of last year's farm bill dealing with monetization. We mandated minimums for monetization in Public Law 480 title II and section 416 programs of roughly five percent.

Tell me what is going on in the field. I would like to know what you are sending out to the various countries—the kind of information you are sending out, not only in terms of the minimum amounts that you are to get out under the law, but also the information you are providing on monetization. What are you encouraging the field offices to do with requests to monetize?

Mr. AMSTUTZ. For distribution-related purposes, I really would find it difficult to believe that there would be any problem anywhere in the world on the monetization.

Incidentally, I don't have with me the various missives that have gone out to posts but will be happy to send copies of them up to you.

Where I would suspect—I am probably going to give you a more direct answer than perhaps you expect. Where I would expect there continues to be some misunderstanding and/or difference of opinion on the monetization subject relates to the subject of displacement.

The Department of Agriculture, unquestionably, over the years, has been wary of displacement via monetization. In other words, the monetization process simply displacing a flow of business that would occur otherwise. In the case of 416 it would mean if there was a bona fide example of displacement, it would mean that business was being filled out of Government, U.S. Government-owned inventories, instead of by farmer-owned inventories. That is the issue. Needless to say, I presume that from the standpoint of the Department of Agriculture we would rather it was filled out of farmer-owned inventories.

Frequently this has been discussed as the additionality factor or problem. And whenever I am presented with that, I say, oh, there

is a great difference between additionality and displacement. If *there is bona fide additionality, then* you really don't have the displacement problem. Sometimes displacement is confused with additionality.

Mr. HALL. Last year, USDA and AID opposed monetization. You are really the only organizations that I could find that were opposed to it.

Mr. AMSTUTZ. And for these reasons I have just tried to say. That is why I tried to—there is a broad thinking that monetization under 416 always results in additionality, and more commodities being moved and more being consumed. If that was the case, then you really wouldn't find so much resistance to it as over the years has existed. But there indeed is a difference between additionality and displacement. That is the conceptual difference.

Mr. HALL. Do you really believe that 5 percent monetization of these commodities will displace the flow of commercial sales of local agricultural commodities in these Third World countries? When, in fact, we are talking about minimum amounts on an individual country basis.

Mr. AMSTUTZ. No; I understand that. As I reflect back on the debate that was occurring during the consideration of the Food Security Act our view on amounts was as much on a principle question as anything else. To get locked in on any kind of specific amount in any number of areas, the administration—I would suggest pretty near any administration—would resist. Clearly, 5 percent is far more manageable from a concern-for-displacement standpoint than 10 or 20 percent. So I understand your point, and your point is well taken.

Mr. HALL. Do you and the administration anticipate expanding the level of monetization under the 416 program in light of the budget constraints that we are facing?

Mr. AMSTUTZ. I don't think of it in the context of budget constraints. I think the monetization will be expanded, but I really don't think of it in terms of budget constraints.

Mr. HALL. I think the thing that concerns me is that people in the field—the private voluntary organizations—are not even aware of this legislation, unless you have sent out directives in the last month or so. They are not even aware of the changes in section 416, the new monetization requirements, and the various minimums required under the law.

In January I went to Ghana, Ivory Coast, and Mali and discussed the changes with representatives of PVO's and U.S. Government agencies. They were quite excited about the new law, and because of the budget constraints they really thought that this would be an exciting new vehicle.

Now, it is my understanding that there is no encouragement coming from USDA at all.

Mr. AMSTUTZ. That is not true. I can understand when you were on that trip you mentioned that there was not the general awareness of it. But, Mr. Chairman, especially in these sugar-exporting countries that I mentioned, there is keen awareness. I have just been handed a piece of paper that says a cable was sent to all U.S. Embassies in March, and that all headquarters of PVOs were informed at that time.

Mr. HALL. Can you furnish for the committee the kind of information that you are sending out to the field offices and PVO's on monetization and section 416?

Mr. AMSTUTZ. Surely, we will do that.

Mr. HALL. I would like to see that.

Mr. AMSTUTZ. We will send it up.

Mr. HALL. I have to believe what I have seen in the field—and I have seen tremendous support for the monetization program. With the exception of USDA and AID, everyone I have spoken to is in favor of it. The farmers are in favor of it. Consumers are in favor of it. Constituents are in favor of it. The PVO's are in favor of it. Congress is in favor of it. Other governments are in favor of it. The recipients, certainly would be in favor of it.

Mr. AMSTUTZ. Not necessarily.

This is a dilemma, and I am really not meaning to debate with you. I agree wholeheartedly with your opening statement in this regard. I would, just from an agricultural standpoint, I would like to change one word—one word only. You talked of the need for countries to develop self-sufficiency in food. Wearing my Agriculture hat, I would like to change the word sufficiency to self-reliance.

There is no question but what there is real latent demand for food around the world. And the constraint on that latent demand being filled is this ability-to-pay question. There is, in my perception as I travel around, a growing insistence, more than desire, by the recipient countries to be able to develop the wherewithal for the buying power, to purchase these desired needed products rather than have them given. They don't want to get into a deeper hole. I have empathy with that. I am one who personally believes that the cause of hunger is poverty, that it is not a food problem—it is an economic problem. That is one reason, in my judgment, that this local currency, this 108 Program—and you are absolutely right in your statement, that your committee had much to do with that being part of the farm bill is so exciting, because it directly addresses the importance of economic development and the generation of more ability to pay, and more self-reliance.

There is a frustration in agriculture, that says with all these commodities, can't we give more away? We have requests from responsible people that say, let's set up a school lunch program in Mexico and finance it from the United States with our surplus commodities. The numbers show that we could increase the wheat per capita consumption in the Philippines by tenfold—the statistics. Let's do that. Let's give it to them.

I would suggest to you from where I sit and from what I see, that leadership in those countries is eager to have a situation where the economic development permits that kind of consumption, that they really want to do it via their own generation of wealth rather than, so to speak, be on the dole.

I think that is enormously important. I think we have in large part turned the corner in this country with these new initiatives in the Food Security Act of 1985. I foresee the day when this local currency program is the horse that pulls the cart of Public Law 480, and I hope it is expanded.

Mr. HALL. I disagree with part of what you have said. I have been in Third World countries and I don't think there is any question that they do want to pick themselves up, and they don't want handouts. The last trip that I took to West Africa impressed upon me their desire for self-sufficiency.

But when you go out to Timbuktu, Menaka, and Gao—in the middle of the Sahara—there is no water. It is dried up. It is just sand. You can't grow anything. There are people still starving out there and there are people with malnutrition. They don't want to hear the fact that they have got to pick themselves up. They are just trying to play a game, day-by-day, just to keep themselves alive. So there are areas in every Third World country where they are going to need help.

I don't think we can make that kind of statement that all want to pick themselves up.

Mr. AMSTUTZ. I don't disagree with those things.

Mr. HALL. I would now like to ask you about the use of food aid funds for the Central America aid package that passed the House a couple of weeks ago.

Is the administration going to use these funds that were appropriated, for food assistance to the most needy countries in the world, for this Central America aid package?

Mr. AMSTUTZ. My answer, Mr. Chairman, is that the legislation passed by the House provided three sources. One was this sort of overall, and I guess the technical term is title II of the Foreign Assistance Act, and that holds a sort of pocket of funds. Second, Public Law 480; and third, the African Relief Contingency Fund, still remaining this fiscal year.

There has been no decision as of this time as to where that specific funding will come from. So there has been no hold put on Public Law 480 programs. I have read that in the press—I have denied that in the press, there has not been any kind of a hold. As I say, there has simply been no decision yet.

Mr. HALL. If in fact that decision is made, will USDA allow that to happen?

Mr. AMSTUTZ. I think the answer to that is that USDA is very much involved in the interagency process on the Public Law 480 program. We don't get involved in ESF and those other areas.

Mr. HALL. I understand that. My concern is that food aid funds that were appropriated for Africa will never reach the intended recipients.

Mr. AMSTUTZ. I understand.

Mr. HALL. What does USDA plan to do about this?

Mr. AMSTUTZ. What I can say now is that we will be part of this process and we will discharge our responsibilities responsibly.

Mr. HALL. I am not sure what that means.

Mr. AMSTUTZ. I don't mean it to sound like a copout. I think the key, Mr. Chairman, is that no decisions have been made. I remind you that I have said that.

Mr. HALL. What happens if those funds are taken for the Central America aid package and somewhere between October 1 and let's say January 1 we don't have those funds to meet a problem in Sudan, or in Mali? What would the administration do?

Mr. AMSTUTZ. I really don't think it will come down to that kind of a thing. I remind you that I am not aware of any interest anywhere to create or exacerbate a situation of hardship anywhere in the world. The contrary is true. We want to alleviate that.

If you are specifically referring to the African Relief Contingency Fund, I believe—unless my memory is incorrect—that that actually only lasts for this fiscal year. So at the end of the fiscal year we are in, that fund no longer exists. I remind you that per my testimony, we do have, in addition to the regular Public Law 480 moneys that we will have available as the new fiscal year begins, we have other sources at our disposal—the 300,000 tons emergency wheat reserve that we have, we have a record of employing. We did last year, plus 416.

So I really don't think that situation will arise. I understand the concern.

Mr. HALL. You have a problem; you may be facing a 3- or 4-month lag period here. The administration has frozen these funds, Public Law 480 in title I and title II, and the $225 million African Emergency Reserve Fund. You have frozen those funds already appropriated for a particular crisis and you take them away. Then you run into a crisis and you have a lag time.

What happens with those 3 or 4 months? There is no way that you can gear up.

Mr. AMSTUTZ. That is really not assumed, Mr. Chairman. I understand your concern. But commensurate with the beginning of the next fiscal year, we will have Public Law 480 money. It is up to the Congress to say you have them. But Congress has never said you don't have them. So I am confident, commensurate on October 1, 1986, we will have sort of the annual replenishment for Public Law 480 . We will have that. We have already started, incidentally, the early programming press that we put on every year. We know countries have to make plans so we try to start that process early so when we are not very far into the new fiscal year that countries really have an idea of what will be forthcoming with the regular Public Law 480 allocations. Plus the 300,000-ton wheat reserve can be triggered just like that, and 416.

I would suggest to you in all respect—and I understand your point on monetization—but I would suggest to you that from the standpoint of meeting emergency needs, monetization is not the issue.

Mr. HALL. Mr. Secretary, I want to thank you for coming over. Now I am going to stop at this particular point, run over and cast another vote. I have a couple more questions that I would like to send to you in written form. I would request that you answer them, please.

Mr. AMSTUTZ. We shall indeed, and thank you, Mr. Chairman.

Mr. HALL. Thank you.

We will stand in recess for about 10 minutes.

[Recess.]

Mr. HALL. Next I would like to introduce Julia Bloch. She is the Assistant Administrator for the Food for Peace Program at AID. Ms. Bloch will report on the implementation of the legislation passed in the farm bill that makes changes in Public Law 480, title I and title II programs.

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Ms. Bloch, welcome to the committee. I understand that you might have a 17-page report and testimony. I hope that you can summarize. Without objection, we will make it part of the record.

STATEMENT OF JULIA CHANG BLOCH, ASSISTANT ADMINISTRATOR, BUREAU FOR FOOD FOR PEACE AND VOLUNTARY ASSISTANCE, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Ms. BLOCH. Of course. Thank you very much, Mr. Chairman. I am pleased to appear before this House Select Committee on Hunger Task Force. Knowing of this committee's keen interest and leadership in our fight against the Africa famine, I welcome the opportunity to participate in this hearing to discuss the role and potential of food aid programs in addressing both short and longer term problems of world hunger.

As you know, addressing the fundamental issues of hunger is one of AID's foremost priorities. The Food for Peace Program offers a major national instrument for translating into effective action the concern we all share of helping the developing countries feed themselves. We believe the new legislation provides us with both a renewed mandate and important new tools for carrying out programs that promise increased effectiveness in meeting the challenge of world hunger.

As you suggested, in the interest of time and in deference to my PVO colleagues who are waiting their turn, I have organized my comments into three major topics and will submit my formal statement for the record.

First, implementation of the new provisions of the Food Security Act of 1985. As Secretary Amstutz has reported, the Food for Progress Program is off and running. We expect to sign shortly two agreements with Madagascar and Guinea using about 60,000 tons of rice made available by the section 416 account.

The local currency lending program is also on track. Guidelines have been distributed for review. We have already heard from three Missions—Tunisia, Morocco and Jamaica—of their interest in participating in the program. We may be able to launch a 108 program as early as this year in Jamaica. I believe Under Secretary Amstutz noted this.

The Farmer-to-Farmer Program I think probably should be called the Bereuter program. I know that Mr. Bereuter is a member of this committee. This program benefited from a pilot project carried out in Latin America and funded by Development Assistance resources last year. This gave us a head start so we are currently completing agreements and arrangements with Volunteers in Overseas Cooperative Assistance—VOCA—to play the lead role in implementing the expanded new program with other organizations during the next year. Recruiting will be done principally through U.S. farm groups, cooperatives, commodity organizations, universities and extension services whose support, by the way, for our food aid programs has, I think, greatly contributed to their success. We also expect to work out some collaborative efforts with the Peace Corps on this program.

Regarding support of immunization, early childhood immunization is one of the pillars of AID's child survival strategy, which will

focus on 22 developing countries during the next 5 years. Pursuant to section 1112 of the new farm bill, we will ensure that Public Law 480 resources and programs play critical roles in helping countries support and expand immunization coverage. Title II's extensive logistic systems can be used to transport and distribute ORS packets and vaccines, if cold chain equipment is available. Of course, all title II programs have contacts with mothers and children as well as with communities. These programs will be used to promote immunizations and help organize communities for participation in immunization programs. PVO's such as CRS in Senegal and CARE in India, who have been involved primarily with supplementary feeding programs' are planning to play new roles in promotion, training and supervision of child survival initiatives including immunization.

Estimated costs of fully immunizing a child are approximately $10. Almost 70 percent of these costs are local. Thus, titles I and III support will be very useful in many poorer countries. Countries such as Somalia, Madagascar, Zaire, and Dominican Republic, by the way, have a history of using title I local currencies for immunization support. Title III programs in Bolivia and Haiti support health programs that emphasize immunization.

Now I would like to shift to my second topic, an issue which I know that this committee has been particularly interested in: Food aid lessons of the African emergency.

There is no better measure of our recent experience in food assistance efforts than the African drought and famine. The principal lesson we learned is that while future African droughts are likely, there need not be future famines on that continent. Effective use of the new legislation which I have just described will help immeasurably in this regard. But an equally important tool will be the effective application of lessons we learned in the last year or so in Africa.

The African food relief effort last year was both a sobering and an uplifting experience—sobering because of the drought's toll on human lives; uplifting because of the extraordinary response. Clearly the efforts of African Governments, the donors and nongovernmental organizations saved millions of lives. Looking back, we can take great pride in some of the remarkable accomplishments. I think the Congress, the executive branch, and the American public can be proud of the effective action we took in meeting this emergency.

This is not to say, however, that it was perfect. The African emergency proved to be an educational experience with regard to the uses and limits of food aid. I would like to quickly summarize for you a few of the lessons that we have learned from our experience.

Let me start by drawing your attention to the report: Evaluation of the African Emergency Food Assistance Program, 1984–85, prepared by the Devres Co. By the way, it is hot off the presses. This is our first official final copy and we will share it with you, Mr. Chairman. And as more copies become available we will share the report with all those who are interested.

In the interest of time, I will only share with you the most compelling findings and conclusions.

Lesson No. 1: Key information that was needed for early warning such as needs assessment, targeting and impact evaluation frequently was not available.

Lesson No. 2: The initiative for managing emergency food responses rests with hosts governments.

No. 3: Donor and host government coordination is critical to ensuring a more rapid and concerted response to drought emergencies.

No. 4: The private sector—and particularly the non-governmental organizations—played a key role in the distribution of massive amounts of food, for example, to remote areas in Sudan, Mali, Chad and Ethiopia.

No. 5: Traditional coping mechanisms, such as community sharing and the consumption of famine foods—roots and tubers, for example—were of critical importance in extending available food aid to more people and preventing many deaths.

No. 6: Special expertise, administrative procedures and funding mechanisms are essential for the successful implementation of emergency programs.

No. 7: Food alone is not enough: other resources—including money, transportation, seeds, tools, and technical assistance—are also necessary.

Finally, lesson No. 8: Emergency food aid programs need to be designed and administered so they support longer term developmental objectives, as well as keep hungry people alive.

These findings and conclusions probably confirm what you already know: droughts do not necessarily produce famines. More often, famines result from the venality of governments and the ineptitude of their social, economic and political policies. More often, lack of income rather than the lack of food is at the root of food emergencies. Feeding people will reduce their suffering and save them from starvation, but it will not prevent famines.

As Under Secretary Amstutz noted, economic development and income growth are the real solutions to famine prevention.

This brings me to my final topic: future prospects and our fiscal year 1987 program proposal. The budget we have submitted this year was prepared within the context of the Gramm-Rudman-Hollings legislation and the effort by the administration and Congress to address effectively the deficit problems which face the country.

As Under Secretary Amstutz pointed out, although our overall budget request is lower than that of fiscal year 1986, we expect to be able to ship approximately the same amount of food as in fiscal year 1986 due largely to lower commodity and shipping costs. And we expect to exceed the minimum tonnage requirements established by the Food Security Act of 1985.

In conclusion, Mr. Chairman, AID's ultimate goal is a world in which economic development and income growth are self-sustaining and extremes of poverty have been eliminated.

A not insignificant reason why this goal is worth the support of all of us is the belief, shared by this administration, that economic development is the key to ending world hunger, and, in addition, is one of the best ways to open markets and to increase trade. Food aid—correctly used—has immeasurably helped developing coun-

tries. It has also helped to create wider demand for U.S. commercial agricultural exports.

Mr. Chairman, I will be happy to take your questions.

RESPONSES TO QUESTIONS FOR JULIA CHANG BLOCH

QUESTIONS SUBMITTED BY HON. TONY P. HALL

Question. Does AID expect to meet the mandated minimums for monetization under Public Law 480 title II? What problems do you foresee, if any in meeting the 5 percent requirement? Can you also provide the committee with some examples of the kinds of monetization proposals you expect to approve?

Answer. AID will not meet the minimum for monetization in fiscal year 1986, since our regular programs were well advanced before the 5 percent requirement was imposed. We are encouraging PVO's and Missions to submit monetization requests in order to meet at least the minimum in fiscal year 1987. As examples of the proposals we expect, ADRA/Rwanda is submitting a request to monetize 150 MT of wheat and vegoil to provide local currency needed in their Food for Work Program to build roads and bridges; and CRS/Senegal will be submitting a request to monetize 1,680 MT to assist the Senegalese government in meeting transport costs for the MCH Program.

Question. Does AID expect to expand monetization under Public Law 480 title II—given the limited resources available to provide cash to PVO's?

Answer. AID is actively encouraging monetization requests so that it can meet the minimum in fiscal year 1987. In Africa, monetization will be an important resource in meeting the transport, administrative and program costs that have become difficult for governments and PVO's to meet fully with their own resources. We have recently sent a worldwide cable to all AID Missions and a telex to the headquarters of the major PVO food distributors encouraging them to submit monetization proposals.

Question. Monetization is a major component of the EEC's—European Economic Community—and to a lesser extent the World Food Program's food aid programs. Why has the United States been reluctant to incorporate monetization as part of its regular food aid programs?

Answer. Unlike the EEC and WFP, the United States provides food aid in a number of forms, for example, Title I and Title III Programs, that offer a means for generating local currency resources other than monetization of food grants. In any given case, we consider these various alternative mechanisms in determining the most appropriate form of support.

We recognize that monetization can play a useful role in assuring effective targeting and increasing the impact of food aid programs. Thus, we are encouraging Missions and PVO's to include proposals for monetization in their program submissions for consideration by the interagency DCC. To the extent that they offer a realistic and positive approach to strengthening the achievement of title II objectives, AID will support these proposals.

Question. Does AID anticipate any problems in meeting the subminimum requirements for Public Law 480 title II regular programs? And, if so, why? Have AID field missions been notified of the increase in the subminimum requirement and have they been informing PVO's in the field about this increase?

Answer. AID will come close to meeting the subminimum in fiscal year 1986. We are promoting new startups in fiscal year 1987, but PVO's must originate the proposals to use this additional food. To date PVO response has not been sufficient to meet the subminimum. Our recent cable encouraging the submission of monetization proposals should help in this regard. We have notified AID missions and PVO headquarters of the new subminimums and have received some increased commodity requests as a result.

Question. Is AID aware of the operating budget constraints PVO's are facing in administering overseas food aid programs? Is the administration planning on using local currencies generated under title I as well as monetization to address this problem?

Answer. AID is very much aware of the high cost of administering overseas food aid aid programs for PVO's. Title I/III local proceeds and title II monetization along with dollar funded grants are now and will increasingly in the future be used to assist PVO's to meet these costs. A worldwide cable has recently been sent encouraging Missions and PVO's to monetize for this purpose. At the same time, it must be recognized that PVO programs are principally the responsibility of the PVO's, and must be funded to a significant extent from PVO resources.

Question. Should the administration use the unobligated funds in Public Law 480 to finance the Contra aid package, is the administration prepared to utilize section 416 commodities to make up the difference in Public Law 480 food aid programs until new funds are provided for fiscal 1987?

Answer. We do not at this time see any shortage of funds for our Public Law 480 programs this fiscal year. If a gap should develop, we would tap any legal source of commodities to fill it including section 416 and the Food Security Reserve. We did so last year before the African emergency supplemental appropriations was passed; we would do so again.

Question. Should the administration use funds from the $225 million African emergency reserve, will the administration have the ability to meet any emergencies which may evolve in the Sudan during the next few months? Could the United States respond, without delay, without coming to Congress for supplemental funds, to several million Sudanese facing starvation? We have already lost hundreds of thousands of people to famine in Ethiopia and the Sudan. Are more lives not threatened by the administration's efforts to divert African food aid for political programs in Central America?

Answer. The administration has previously notified the Congress that it does not intend to use the $225 million authority for relief to Africa. We are confident of our ability to meet the emergency food needs of Africa for the remainder of the fiscal year with the other resources at our disposal.

QUESTIONS SUBMITTED BY HON. TONY P. HALL AND HON. MARGE ROUKEMA

Question. Which development assistance accounts does the administration plan to tap in order to finance the Contra aid package? Let us remind the administration that they have not accounted for the $225 million African emergency reserve in their fiscal year 1986 budget?

Answer. The House of Representatives bill identifies three sources from which funds may be provided to Central America: the African Emergency Reserve, bilateral development funds and Public Law 480. We, of course, stand ready to implement whatever legislation ultimately emerges from Congress, and we are reviewing a variety of funding options to that end.

Question. Does the administration intend to obligate all unobligated funds under Public Law 480—both titles I and II—before the end of the fiscal year? And, will these funds be obligated to carry out food assistance activities under Public Law 480 in fiscal year 1986.

Answer. We hope to be able to obligate all Public Law 480 funds before the end of the fiscal year, though the drop in commodity prices and the failure of certain anticipated programs to materialize has left us with more funds than we had anticipated.

QUESTION SUBMITTED BY HON. BENJAMIN A. GILMAN

Question. When will the administration finalize its guidelines for section 108 under title I? Do these guidelines include the use of local currencies to provide for small-scale credit assistance to low-income farmers and microentrepreneurs? What are you doing to encourage the use of local currencies for small-scale development programs?

Answer. The draft section 106/108 guidelines have been reviewed by AID field missions and their comments received. The technical questions which have been raised by the field are being answered and the guidelines are being finalized. Final interagency clearance and issuance are expected shortly. The guidelines do approve small-scale farm enterprises or self-help improvement loans as permissible uses of section 106/108 resources. The provision of the law allowing the use of grants for start-up costs of private and voluntary organizations and cooperatives in becoming intermediate financial institutions encourages small-scale activities.

[The prepared statement of Ms. Bloch appears at the conclusion of the hearing, see p. 40.]

Mr. HALL. Thank you, Ms. Bloch.

According to some of the private voluntary groups, there seems to be a lack of clarity as to the administration's policy with respect to monetization. For example, PVO's state that they have not received guidelines on how monetization is to be implemented and, therefore, it makes it difficult for them to submit requests for

monetization. In addition, PVO's have expressed concern to the committee that AID field missions are unclear as to whether they should encourage or discourage requests for monetization.

Are you aware of these allegations? And what is AID doing to encourage monetization?

Ms. BLOCH. I am aware of the allegations, Mr. Chairman. But I would underscore that we did send out guidances on 416 as well as monetization in March and April of this year. That information was also shared with the headquarters offices of the private voluntary organizations. That may not, however, be enough, given what we are hearing from both the Senate side as well as the House side. We will be happy to provide clarification. As we look forward to a number of meetings that are coming up in September on the issue of food aid, particularly in Africa, we will further clarify and try to promote more proposals in this area.

Mr. HALL. So what are you saying? Are you saying that you will encourage monetization?

Ms. BLOCH. Yes, I did say encourage, because under the title II legislation, amended during fiscal year 1986, a minimum of 5 percent monetization for nonemergency PVO Programs was established. Because that requirement was put in place mid-year, after virtually all regular PVO Programs had already been approved, we will be hard put to make that 5-percent level this year. But we intend, certainly in fiscal year 1987, to achieve that target if possible.

Also, you should know that we have included in our guidance to the field as well as to PVO's for fiscal year 1987 programs the identification of monetization needs.

You should also know, Mr. Chairman, that the requests we have in hand for monetization proposals for fiscal year 1987 currently stand at the level of about $700,000; but if we are to meet that 5-percent target we will need proposals of as much as $14 million. I would say that you will have a chance to discuss this with the PVO representatives who will follow me. I think the responsibility for this issue rests not only with AID.

Mr. HALL. I think that is a fair statement as long as PVO's are aware of this legislation —and I think many of them are just starting to find out about it. And yet the guidelines, the direction, the emphasis, the encouragement have to come from you. It cannot come from them. I contend that there are a lot of private voluntary groups that would love to take advantage of monetization if they knew more about the exact procedure. But I think they are in a quandary right now as to what to do.

You say that you are going to simplify it and you are going to encourage it. How do you do that? What do you do? Do you send out a directive to all these PVO's?

Ms. BLOCH. We send out communications to the field. We must work with the headquarters representatives in New York. It would seem to me that the PVO's have their networks of communication between headquarters and their field operations. They could also improve the consultation, or whatever, with their people in the field.

Mr. HALL. Would you furnish the committee with the communications and messages that go out on this?

Ms. BLOCH. Certainly.

Mr. HALL. I would like to see how you are encouraging and simplifying the process.

Ms. BLOCH. Certainly.

Mr. HALL. Thank you.

[The field communications referred to above appear at the conclusion of the hearing, see p. 52.]

Mr. HALL. Does the administration intend to obligate all the unobligated funds under Public Law 480 before the end of the fiscal year?

Ms. BLOCH. Yes. We would not be carrying out our responsibility if we didn't do so.

Mr. HALL. Will these funds be obligated to carry out food assistance activities under Public Law 480?

Ms. BLOCH. That is related to your earlier question to Under Secretary Amstutz. And as he responded to you, the decision has not yet been made. In response to the House-passed legislation which identified three sources of resources that could be made available for the Central American democracies in the context of the Contra aid package, we are now in the process of reviewing those three sources to see how funding could be made available. I underscore, the decision has not yet been made.

Mr. HALL. What is the position of AID on this matter?

Ms. BLOCH. The position of the U.S. Department of AID?

Mr. HALL. Yes.

Ms. BLOCH. We are participating in the interagency process, and it has not gotten to a point, that I know of, where individual agency positions have been, let's say, laid on the table.

Mr. HALL. Are you going to push for these funds not be used for aid to the Contras?

Ms. BLOCH. I think I would like to clarify my understanding of the legislation. The money will not be used to support Contras. My understanding is the money identified in the legislation will be used to support the Central American democracies. Now, I grant you, I am not an expert on Central America or Latin America. I would say that AID's position would be to participate in the interagency process to the best of our ability. I think also that our primary position will be to implement whatever law is passed by the U.S. Congress.

Mr. HALL. My concern is that $300 million will be diverted away from very important assistance programs. If funding is to be diverted, I believe it should be spent on other worthwhile programs such as immunization. With a small portion of the $300 million we could make substantial advances towards immunizing the world's children by 1990.

The important thing is that AID has a vote on the interagency group. Now if there is ever a group in this administration that should be an advocate of the developing countries, the poor, the hungry, and the sick—it should be this agency.

Ms. BLOCH. I agree that AID should be, and I think we are an advocate for the poor.

Mr. HALL. Good.

I would urge you to have AID to cast a firm no on the transfer of these funds.

Ms. BLOCH. But, Mr. Chairman, there is a higher order of authority, to which agencies such as AID must respond.

Mr. HALL. This interagency process of which AID has been a part for a long time makes decisions on how this money is spent. It makes a lot of decisions and has a lot to say about what is going to happen. Sometimes they need to not be part of the administration, but to be an advocate of what they are chartered to do.

I would hope that AID, as a member of the interagency group, would champion the needs of the developing countries. They are the only people we have in the administration who would.

Ms. BLOCH. We will do our best.

Mr. HALL. Mr. Gilman intended to ask some questions on title I. He mentioned it in his opening statement.

Ms. BLOCH. I will be happy to answer it.

Mr. HALL. If he doesn't make it back I would like to submit those questions to you for some answers.

Ms. BLOCH. All right.

Mr. HALL. What is the administration's food assistance policy in the long term with respect to India?

Ms. BLOCH. I am glad you asked that question because I know that another witness will be discussing this with you in detail.

Our proposal with respect to India is that India will continue to be the largest Title II Program that we have in all the world. In 1987, the program level is anticipated to be $75 million. That program has a number of components. We are placing—not just we, but the Indian Government also—placing emphasis on what we call the ICDS, or the integrated child development scheme. That will be a major example of the total integration of Public Law 480 and DA resources. The DA resources will be contributing some $64 million if the current proposal is launched.

The ICDS initiative was identified as a priority because it is a combined child survival and school readiness or Head Start Program. And you know the priority that AID has placed on child survival, certainly by our Administrator.

The target group is the most vulnerable: Children under two and malnourished preschoolers. In the AID/ICDS pilot project, 70 percent of the children under 5 are malnourished. So the emphasis is on ICDS.

I know that CARE is quite concerned about school feeding. We do not consider our phase-down of the school—feeding component of the India program to be a phase-out. It is in fact a phase-over. We want to do it in a regular, nondisruptive manner. This has been the subject of discussion for many, many years, as long certainly as I have been in AID, which is 5 years. Our intent is that the program will be phased over to the Indian Government by 1990. We feel that will give sufficient time for both CARE and the Indian Government to work out the details.

I would also point out that India has reached self-sufficiency in grain production. India has itself become a food donor. In 1985, it offered 100,000 metric tons of wheat to Ethiopia for famine relief. My understanding is it also has made contributions of food aid to Nicaragua and other countries.

In February 1986, Government-held cereal stocks totalled 30 million tons. We think that India is a major success story. Where food

production is concerned, the Government has demonstrated increasing self-reliance in managing school feeding activities. From a technical standpoint—in looking at the School Feeding Program, we have not found it to be the best vehicle for targeting food assistance to the truly needy and most vulnerable, because we have found that the poorest, most disadvantaged nutritional groups do not attend school. This is another reason why we are putting our priority on ICDS.

We have no intention of pulling out of India because numerically, according to World Bank reports, there are still more people who are malnourished and poor in India than in the whole Continent of Africa. But our position is that the Indian Government has reached a position, reached the status, where it can effectively take over programs such as school feeding.

By the way, in my visits to India, Indian Government officials were quite candid where they place their priorities. They would, of course, like financial assistance for a number of their programs but they also have the capacity, and have shown it, to pay for a large portion of the administrative and operating costs of what CARE is doing in India. I had not heard in my visits to India that the Indian Government would be terribly opposed to a regular phase-down. So we are willing to work toward that end.

Mr. HALL. How exactly does the Indian Government feel about this phase-down?

Ms. BLOCH. In my discussions on my visits with representatives of India, I had not heard very, let's say, strong disagreement with our phasing over this component of the program. I had a press meeting during my last visit where in fact, it was pointed out to me quite categorically—by the reporters, that is—that India had achieved a status that they were no longer on the dole.

Mr. HALL. I think the concern is the fact with the phasedown there will be some children that will be disenfranchised. Is the administration concerned with that? And if they are concerned with that, what do they propose to do? Have you set any guidelines?

Ms. BLOCH. I think we can work with CARE. But again I would stress that between now and 1991 there is plenty of time to work out the phase-over in a manner which will not seriously affect or disenfranchise poor Indian students.

Mr. HALL. Are you thinking of using section 416 to make up the difference in this phase-down?

Ms. BLOCH. No. We have not received any such proposals from CARE. But again I will stress that I think our position is that the Indian Government has reached a stage where it can and should take over the program. We have been in India for over 30 years.

Mr. HALL. The other section of the Food Security Act that many on the Foreign Affairs Committee did a fine job on had to do with multiyear agreements. What is happening with that? Have you been encouraging multiyear agreements?

Ms. BLOCH. In the operational plan guidance we sent out, we asked for multiyear operational plans for 3 to 5 years. As we review these operational plans we will be looking at them in the context of multiyear planning. However, in terms of specific commodity allocations, we still will have to review them on an annual

basis because we do not have any certainty that our budget will be what we requested.

Mr. HALL. Have you provided guidelines for multiyear planning?

Ms. BLOCH. Yes.

Mr. HALL. You have?

Ms. BLOCH. Yes, and in fact, we already have in hand a few which can become models in the coming years. We can make available to you our operational plan guidance.

Mr. HALL. There will also be some questions I would like to submit to you for some answers.

We thank you very much for coming to testify today.

Ms. BLOCH. It was my pleasure. Thank you very much.

[The operational plan guidance information referred to above appears at the conclusion of the hearing, see p. 58.]

Mr. HALL. I think what we will do is have the two remaining witnesses—Mr. Pezzullo from CRS and Mr. Atwood from CARE—come up together. Can you both come up and give testimony, and then be open for questions, please. We will take Mr. Pezzullo first.

STATEMENT OF LAWRENCE A. PEZZULLO, EXECUTIVE DIRECTOR, CATHOLIC RELIEF SERVICES

Mr. PEZZULLO. Thank you, Mr. Chairman. I want to thank you for this opportunity to testify today.

We at Catholic Relief are grateful for the consistently constructive and creative interest which the Select Committee on Hunger has taken in food and other programs of humanitarian assistance over the past 2 years. We commend the record which the committee has compiled and hope that the House will continue to support your important work.

With the committee's permission, I would like to make a few general remarks and then take whatever questions the members may have. I will also submit a more detailed statement for the record.

This hearing is timely. It comes as we have witnessed one of the most severe famines of the century over the past 2 years in sub-Saharan Africa. In the course of that famine, hundreds of thousands of lives were and are still being saved thanks to food and funds provided by the U.S. Government and American private agencies. We can all take pride in the speed and effectiveness of the U.S. response and the overwhelming support in public opinion which it commanded. As we acknowledge this, however, we should be prepared to reflect and act on the lessons which these events offer us.

There will always be a place for food assistance in emergencies and in acts of welfare and simple charity. Throughout the world, for example, CRS administers title II programs which assist Mother Teresa and her missionaries of charity in their work among the homeless, destitute, and dying. Such a commitment to care for those who cannot care for themselves is an essential element of humanitarian action and a use of food aid that can hardly be assailed.

For the far greater number of the world's poor and vulnerable, the challenge is to make food aid a resource which promotes devel-

opment—the capacity of people to meet their own needs, through their own efforts, on their own terms. For some time now, we at CRS have been moving to make food programs more responsive to such needs. We attempt to assemble around food programs human, financial, educational and technical resources designed to increase the ability of recipients to define and meet their own needs. This, we believe, is the right future direction for such efforts both in terms of the well-being of the participants and the effectiveness of U.S. food assistance.

The mounting of a food program is not trivial undertaking. In India, for example, we annually commit some $200,000 in administering our title II program and another $150,000 in headquarters direct support. We also spend about $500,000 each year in project funding, much of it related to food program thrusts. Less tangible, but no less important, is the network of 150 local counterpart organizations through which we support 2,500 feeding centers throughout the subcontinent. It is not possible to put an accurate dollar figure on this local participation, but the contribution is by any measure considerable both in financial terms and in the grassroots support which the system elicits among the over 1.3 million recipients.

There are three principal elements in the CRS India food program. The Targeted Maternal and Child Health Program, which provides rations to young children and their mothers as well as services in training, education and health care.

The school feeding program provides meals to children in private schools not reached by the government which act as an incentive to attendance and enhance learning retention. School feeding is particularly important as an incentive to girls and tribal minorities to receive an education which might be precluded by social prejudice or the caste system.

The CRS Food for Work Program sponsors about 3,400 projects annually for families and communities from the very poorest levels of society. These activities enable the people involved to construct assets such as wells and roads as well as to engage in activities like the promotion of adult literacy and vocational training.

Each of these programs is food-based, and each has aims that go well beyond the distribution of commodities. That, we believe, is just as it should be. Food is, after all, a resource just as cash is, and it would be a misguided sentiment to set up a priori rigid categories in which either can or cannot be used. Our goal in India is to continue to expand the use of food and upgrade and refine these programs to better meet the wider purposes we are seeking to serve. We are prepared to commit increased resources to this effort and we hope that AID will also support us as well.

In my view, too much of the debate about food is cast in black and white, while the realities of hunger and poverty tend to present themselves in subtler tones. Surely we must be concerned with possible dependency and disincentive effects of food aid and must resist efforts to merely dump surplus commodities on the fragile economies of the Third World. But between famine and self-sufficiency there is often a long road to travel and we can hardly be unmindful of the health and well-being of those making the journey. The real challenge to our intelligence and our creativity is

to explore new uses for food resources which will more effectively developmental change and self-sustaining growth.

In this effort, several issues are going to be of central importance. Funding is one, as it is in most things.

Our experience to date indicates that food aid is most effective when carefully targeted and combined with other resources. These additional components—technical expertise, training appropriate technologies, et cetera—require funding. This means that more effective food programming will cost more. Increased use of monetization and greater access to the proceeds of title I sales may provide alternative sources of support. But we should make an effort to explore all appropriate avenues if we are serious about making food more responsive to developmental needs.

The clear humanitarian purposes of food aid should be established in policy as they are in the language of the law. The poor, the hungry and malnourished are the primary targets of food assistance, but if food aid agendas become too crowded with other considerations it is just those groups who will likely be pushed toward the margins. The programs of the private humanitarian agencies, whose priorities are clear, are most effective when we have the maximum freedom to design and implement programs. Current tendencies by AID to exercise more detailed and rigid controls could well inhibit our ability to carry out improved food programs.

An encrustation of bureaucratic procedures and practices has accumulated around food programs over the past 30 years. While no one would deny the need to be accountable, it is questionable whether the current plethora of paper that surrounds food programs is necessary. It sometimes appears almost as if the accounting commands more attention than the recipients. If food programs are to become more creative and responsive to developmental needs, some latitude for experimentation and risk-taking is going to be needed and that is going to have to be reflected in the administrative infrastructure.

Effective food for development programs, like most effective development programs, must be planned and implemented carefully over a number of years. For that to happen, there must be some assurance that the necessary resources will be available for the entire life of a project. As things now stand, however, nearly all food programs are 1-year programs in terms of commitment of resources. Multiyear planning would be more effective and efficient. This would allow for more precise targeting, more flexibility in implementation, greater coordination in integrating food programs into overall development strategies and more sensitive evaluation. The authority exists to enter into multiyear programs; what is wanting is the policy and the political will.

Thank you.

Responses to Questions for Lawrence A. Pezzullo

Questions submitted by Hon. Tony P. Hall

Question. The administration has testified that they will have trouble meeting the mandated minimums for monetization in both Public Law title II and section 416 because they lack sufficient requests from PVO's. Can you explain to the committee why your organization has not been submitting monetization requests? Has the ad-

ministration encouraged your organization to submit proposals which include monetization?

Answer. CRS supports the concept of monetization and would like to take full advantage of its potential. We have in fact participated in several such projects in 1984 and 1985, but almost all were exclusively focused on emergency programs and related internal transport costs. We did propose at least one developmental oriented project but it was not approved. It was later funded through child survival dollar account. It is fair to say that monetization has no uniform constituency within the Government bureaucracy. We have been given to understand that AID is in favor of monetization but other entities such as OMB are opposed. The lack of overall support is evidenced by the absence of any clear guidelines on criteria for project proposals. A recent cable from AID dated July 24 is the first clear signal that proposals are welcome. Prior to this positive signal, there existed little, if any, encouragement from Washington. Even this cable constraints PVO's by an unrealistic submission date of August 15—approximately 3 weeks.

Monetization requires the approval of host governments, as well as an analysis and decisionmaking process on the methodology for sale and transfer of funds to PVO's. It requires further the approval and transfer of commodities from this country to the targeted country. This process coupled with the actual creation of a project design and implementation plans argue for lead time of at least 3 months, not 3 weeks. Thus, while we welcome this positive signal and will do our best to submit proposals, we view this latest focus on monetization as limited and counter productive to the development process.

Question. What kinds of Monetization Programs would Catholic Relief propose if you have a green light on monetization from AID?

Answer. Under the broad language of the Agricultural Trade Development and Assistance Act of 1954, Public Law 480, the intent of Congress is to encourage economic growth and development through the title II Food Program. Further language contained in AID's Handbook 9 covering title II speaks to the programming of title II "toward community and other self-help activities designed to alleviate the causes of the need for such assistance. * * *" This developmental orientation is supported by CRS. We would suggest that the focus of monetization should be developmental, as well. Certainly monetization could also address internal transport costs in Africa, but it could and should be authorized to fund projects aimed at removing the need for, or dependence on, external food aid assistance.

Developmental initiatives carry a component of risk. Monetization could provide seed money to test project feasibility. Monetization could also be complementary source of funds to the present grant program supported with development assistance dollars, as well as PVO hard currency. This would have a direct impact at the community or village level by widening the resource base for initiatives in agriculture, water, health, nutrition, child survival, cooperative credit unions * * * et cetera. The list is endless.

One cautionary note: Development projects are multi-year and the funding must be a multi-year commitment to assure sustainability. Finally, monetization could serve as a catalyst for an integrated development program—food aid, technical assistance, cash and labor, with major community involvement. Food for work as an example could be designed as a water project—irrigation or wells—with complementary funding from monetization and hard currency providing the resource base for required materials and technical assistance. Food aid perhaps coupled with some small cash allowance would serve as payment for community labor. The water project could then be extended into a cooperative to insure maintenance of the system. The cooperative in time could then, through an education/training project component, turn its attention to other community needs leading to new projects. Monetization and food aid, would stimulate a multiplier effect in beneficiary benefits.

Question. You mention in your testimony the costs associated with operating overseas food aid programs. Can monetization help defray some of those costs? Have you submitted monetization requests for this purpose?

Answer. Food aid programs generate two distinct types of costs:

(1) Core costs—logistics/administration and

(2) Complementary—recipient education/training.

Both costs are field related and do not speak to the headquarters general overhead costs. Monetization could certainly defray the majority of these field food-aid costs. These are costs which can be met through local currency in part but not exclusively.

Local currency could cover expenses for inland transport, warehousing, local hire, but would not cover the purchase of any material not produced within the recipient

country. Such items might include vehicles, training aids, nutrition growth charts, et cetera. Clearly the response to this question is an unqualified "Yes."

CRS has submitted several such monetization projects in 1984 and 1985 to meet increased costs as a result of higher levels of food imports to drought-stricken countries. These were emergency programs. All were approved but problems were created by the untimeliness of funding support to the receipt and distribution program. In some instances commodities for monetization arrived for sale significantly later than our cash flow needs. In others, the negotiations with local government were protracted and fund transfer was late. We have not submitted such projects for non-emergency activities as we were not confident of approval nor were we encouraged to do so. Thus, while monetization is a funding vehicle of vast potential, serious constraints must be overcome before this potential can be realized.

Question. You mention in your testimony that multi-year food programs could make food aid more developmental. Has the administration encouraged your organization to submit multi-year food programming proposals? If not, why not?

Answer. Historically, food aid programs have been submitted and approved on a year-to-year basis subject to the availability of commodities. This has naturally constrained any effective development program planning. Goals and objectives in terms of recipient targeting integration of resources, et cetera were simply not feasible under this year-to-year review and allocation process.

Within the last 2 years, AID has made a concerted effort to move toward multi-year programming. In 1985, Food for Peace held conferences in India and the Ivory Coast which focused on this issue. As a result, the fiscal year 1987 guidance from AID on title II encourages/requests multi-year plans in a 3- to 5-year phase. In all likelihood it will be difficult to achieve such levels of planning in fiscal year 1987, given the need to coordinate and collaborate with many host country departments and local counterparts. A plan of this magnitude requires commitment to an agreed strategy with established objectives for evaluation. We welcome this breakthrough but envision a period of transition before achieving meaningful, thoughtful multi-years plans for all 37 of the countries in which CRS conducts food aid programs.

Question. In what countries could Catholic Relief use section 416 commodities effectively? What has AID done to encourage the use of section 416 in those areas?

Answer. CRS has several section 416 projects being implemented in Latin America, North Africa, and Asia. Section 416 could probably be utilized in most countries where CRS conducts Public Law 480 programs. We would envision Public Law 480 and section 416 as being complementary rather than in lieu of one another. To date, section 416 has been a source primarily of dairy commodities. The constraint to section 416 is the same that exists in Public Law 480—in country costs. Perhaps with clear guidance and policy on modernization, CRS might make more ample use of section 416.

Question. Could you explain to the committee the target population of your School Feeding and Food-for-Work Programs in India? Would the Indian government be willing to integrate your target population in the integrated child development scheme initiated by the government of India?

Answer. The following is a description of the target groups affected by the School Feeding, Food for Work, and TMCHEP Programs in India during 1986.

School feeding: The School Feeding Program provides supplementary nutritious food for children in primary classes, that is, first to fifth—approximately ages 6–11. The daily ration provides the needed calories and proteins for these children while also encouraging school attendance and aiding in increased retention of the education.

FFW: In 1986, FFW Programs will reach 223,200 recipients and provide 43,925 MT in commodities. FFW Programs provide food commodities to those who work on a voluntary basis on projects which benefit the community. The target group is essentially the unemployed or underemployed and is not necessarily confined to specific age groups. Projects may include land development, the digging of irrigation wells and canals, and/or other CRS counterpart projects.

TMCHEP: The Targeted Maternal and Child Health Project (TMCHEP) is planning to update 2,500 MCH Centers, which reach 691,000 mothers and children annually in a 5-year program beginning in 1985.

TMCHEP's objectives are to provide services to improve the health and nutritional status of the most vulnerable groups while retaining the program's emphasis on education.

The most vulnerable groups to be targeted are:

All children 6–36 months.

Children from 37–60 months in 2nd/3rd degree malnutrition, and

Women 4th month pregnancy until 6 months after delivery.

The program aims at immunizing the women and children, educating the mothers in health and nutrition, and training the mothers in ORT therapy.

[The prepared statement of Mr. Pezzullo appears at the conclusion of the hearing, see p. 63.]

Ms. KATSOYANNIS. Mr. Atwood.

STATEMENT OF DOUGLAS ATWOOD, COUNTRY DIRECTOR, CARE—INDIA

Mr. ATWOOD. Madam Chairman pro tem, I am representing CARE today, when frequently before such committees our executive director or other representatives of our organization might appear. I happen to be in this country on home leave and I have been a director of several missions for CARE—25 years abroad, and 7 consecutive years in India. So I think it appropriate that and others thought it opportune for me to appear speaking on behalf primarily of the India Program, of course.

Julia Chang Bloch addressed a number of issues in respect to that program itself. With certain trepidation about introducing controversy I would like to speak of a couple of things that she said. But that I can come to in the course of time. She did cover some ground that I might have done otherwise for you. Of course I am grateful that you can listen to me for a few minutes and that you have been able to accept the paper that was submitted in my name, which subject I won't review again. I will simply try to add a couple of additional dimensions.

The program itself has existed for a long time. As Ms. Bloch suggested, that 30 years was a long time and, of course, it is. But in the Indian context, 30 years is a fraction of time. The resolution of problems that have existed for a long time is approaching in some respects but far from achievement. In fact, not only have I been there 7 consecutive years, but I was there from 1968 until 1971, which gives me about 10 years experience in that country.

There is an interesting perspective that I have, that they have in the intervening period through the 1970's and now into the 1980's addressed their problems, confronted them, considerably more than they once did. That doesn't mean that confrontation of the problem brings resolution. They are still dependent on foreign assistance. They will not beg for it. They are very cautious.

Ms. Bloch herself, in the instances she referred to, of Government meetings that she had, some of which in fact I attended with her—they are not going to plead for a great deal from a government of the U.S. representative. They, indeed, need a great deal of assistance still.

The ICDS program which she addressed—she spoke of and gave you some definition on—I could expand a little bit on because it is a program that they began in 1975, a national program, introduced in all States, as a truly integrated services scheme, in which health components and several other things are provided in a manner that we all realize feeding programs should be supported. There must be many supplementary services and this one does it. This is probably the best national scheme I have heard of anywhere. But it is on such a massive scale that it can't be contemplated as one that

the Government itself can totally embrace and carry forward for many years to come.

In 1975 up until 1983, they had introduced 300 projects. A project is a geographical block, like a township in the United States, comprising roughly of 100 villages. They are introducing them on that scale—project by project—until in 1985, they had 1,200 projects in place. Projects blocks number in India about 5,500. They have now instituted this scheme in 1,200 of them. In the plan for the next 5 years—1986 to 1990—they plan to try to introduce it in 2,000 more blocks. Now, this is getting close to 60 percent of all of those blocks in the country, or roughly 60 percent of the population.

They are doing it on a schedule that first targets the tribal and backward class places. Then it targets the poorest areas of the country. Finally, it should cover all of the country.

But there is no way in which the next 5 years will see 2,000 more blocks introduced if foreign assistance were to be dropped. The two organizations that are providing assistance to it on a major scale are CARE and the World Food Program. CARE's assistance is now provided in something over 50,000 eating centers a day. This is a totally Government program operated by the states. Currently, we are assisting them in 14 states of India.

For a long time we have—36 years, literally—CARE has been in India since 1950. In the course of those years of the food assistance provided by CARE abroad from title II resources, 32 percent of it has gone into India. Perhaps that is why I am here today because I represent the country in which such a large proportion of the title II resource through CARE has been employed.

I really don't see the time period involved as one that should commit us to a phaseout position in respect to assistance in food aid to that country. The likelihood of their being able to handle this on their own is certainly very minimal within the next foreseeable 15 or 20 years. Now, how long should the U.S. Government continue to support that? How long should CARE continue to support it?

I am personally satisfied that the project is so magnificent and that there is so much Government attention and assistance devoted to it, that it is worth keeping up until they are successful.

Right now, the next 5-year plan which I mentioned, is until 1990. It is estimated that they will devote the equivalent of $2 billion worth of their resources to the ICDS Program. That is a tremendous amount relative to Indian budget figures. But it indicates a very serious devotion to welfare of their people. Nonpolitical. It doesn't seem to be affected between one state and another in any sense. I have attended hearings in regard to every single state in which this program is operated in India in which they seem to be genuinely concerned with the results of it and not with any impact on the constituencies involved.

It is a matter of pride to CARE that we have actually been involved in this since 1982. Originally it was a totally indigenous program. In order to accelerate at the rate of installation of these projects, they appealed to both CARE and the World Food Program for assistance in it. We think there couldn't be a better way in which the title II resources from the U.S. Government could be spent.

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I have a couple of other remarks I should mention. In respect to things that have been addressed earlier—self-sufficiency in food, which Ms. Bloch identified by that term is, of course, a misnomer. There is hardly a manner in which food has ever been in any country in the world divided up equally. That is the only manner in which self-sufficiency can be reckoned. They targeted the largest grain tonnage ever for this coming year—for this current year, was 159 million tons. They actually achieved about 146 million tons, which is very extraordinary. It has only been in the last 3 years that they ever exceeded 135 million tons.

Now, if you want to divide it prorata you could come out with a sufficient commodity to feed everybody in the country. But our own country doesn't do it, no other country does it. We are still dealing in questions of poverty and spendable income. We are talking about anywhere between 150 and 200 million people who don't have spendable income. People who may devote 85 or 90 percent of whatever cash is available to them to the purchase of food already.

So the acquisition of considerable more grain stocks in the country is not a solution to that problem. The Indian Government in fact has—Ms. Bloch identified something like 30 million—and I believe it is 29 million tons of grains, so-called surplus. That is based on a buffer stock target of 20 million tons. This is a recognizable and laudable objective because it is used to regulate market stability. It is also used by the Indian Government to handle emergencies. We have had a history—CARE and other agencies—have had a history of assisting in emergency situations; back in 1967, 1968, the Bihar famine emergency, was the CARE to mount a program that fed over 5 million people daily, all with title II foods.

Since then, in the 1970's and particularly in the 1980's, in the last 5 years, specifically, they have rejected a number of offers that we have made to assist in temporary emergency situations—if it is hurricane or flood, or whatever, graciously, with thanks, saying that we have the means to provide assistance as needed now. They have been exceedingly good about it. They are well organized. They have the resource to do it. They haven't appealed to the United States or any other foreign governments for food assistance in the constant emergencies that arise in that country. In the same State it may be floods in one time of the year, and drought in another time of the year, or in various states it will be cyclones and all kinds of emergencies that would be almost impossible for many small countries to contend with on their own. But they are managing, and they do it without appealing for other assistance.

This is based on the fact that they have food resources to fall back on. So I would not let it be thought that those are going to waste or that they should be employed in some other manner.

There was a question asked by the chairman of Ms. Bloch regarding section 416 proposals from India—I guess perhaps from CARE-India. It wasn't quite correct of her to say that we had submitted none because in fact we have had three submitted. One of them was last year and it requested bulgur wheat for taking up the slack where we were dropping school beneficiaries in West Bengal. We never had an answer to that. We appealed—in fact, the AID Mission appealed for an answer from Washington a number of times. I still don't know what the answer is except I know it is dead.

Since then, in the spring, we applied twice more by submitting to the AID Mission section 416 requests for butteroil which would be given in one instance about $50,000 worth to the state of Tamil Nadu, where our program, our feeding assistance has stopped to the school program in March of this year, and we wish to assist them in taking up some of the slack.

Incidentally, in that state—Tamil Nadu—since 1982, July, they have had what they call a chief ministers noon day meal scheme which feeds 6 million children from their own resources. They started out at a level of roughly $100 million a year. They are up to something over $200 million a year. Four years later they are still going on. Many people were convinced they couldn't do it—they wouldn't have the resource. They are doing it. If we had time I would cite examples of the state of Gujarat, the state of Maharastra in which they have taken over school feeding programs on their own, completely.

But the fact is to do that we have resigned ourselves that school feeding is not an AID priority. It will not be continued in India. Yes, in all probability it will terminate at the end of 1988. Not even 1989 or 1990, because the schedule is going down so rapidly that we can hardly retain any beneficiaries after 1988.

But there are states that will, and with central support from their food reserves, will subsidize school feeding programs —we are convinced. But the proposition is somewhat expensive, as you could well imagine.

I went to the state of Karnataka in the month of May to discuss with officials what happens in 2 years, and the 700,000 school beneficiaries we are supporting will no longer be assisted by us. They happen to have a program of their own using what they call energy food—manufactured in the state—for 700,000 more beneficiaries. That is, there are 1,400,000 school beneficiaries in the state of Karnataka, half of which are supported with title II foods. The cost of their program is just over $5 million. They will have to provide within 2 years an additional $5 million. No state of India easily finds that money.

The section 416 proposals were—the second one we put out in the spring—was for butteroil which would be used in all of the state programs as long as it were available—1 or 2 years, or whatever—to relieve the burden of the states taking over the beneficiaries which we are dropping. Year by year, at this point, we are knocking off 1.3 million beneficiaries per year for 3 years, starting with the current year, which leaves us at zero in 3 years' time.

We wanted to introduce section 416 butteroil which would provide them a commodity that is in scarce supply—imported in large measure, the government has to buy it to provide for a school program to relieve their financial obligations so that they could, within 2, or 3, or 4 years, expect to take over the whole program on their own, which is going to be exceedingly difficult. In fact, in several states it will not be maintained at the level it is.

There is devotion to the idea. There is a constituency for it. But the resources are hard to come by.

I don't think that I should take more time on this subject. I would be pleased to answer questions from the chairman or any-

body if I might. I am sure Mr. Pezzullo would be glad to do so as well.

RESPONSES TO QUESTIONS FOR DOUGLAS ATWOOD

QUESTIONS SUBMITTED BY HON. TONY P. HALL

Question. Have AID field mission offices been supportive with respect to CARE's desire to use section 416 in India?

Answer. While not essentially negative or deaf to our requests, the USAID mission in India has not been really supportive either. We do have the impression that they particularly wish to push section 416 use. They have turned down two of our solicitations, only saying they did not suit the AID mission's priorities, but they would welcome other requests which better matched those priorities. We believe they misunderstand the intent of the legislation, and the guidelines for implementing it.

Question. In last year's farm bill, legislation was passed that requires 5 percent monetization in both section 416 and Public Law 480 title II. From your perspective in the field, have you been encouraged by AID field offices to find innovative uses for monetization? What exactly has AID conveyed to you regarding monetization?

Answer. No, the subject of monetization has been mentioned but the AID mission has not been pursuing it in a way that could be called encouragement. We, CARE-India, are aware of the possibility of monetization under both title II and section 416.

Question. Could the CARE Program in India use monetization effectively? If so, do you plan to submit any requests for monetization?

Answer. CARE-India would be penalized if monetizing title II, for it would come out of our dollar ceiling and reduce our distribution uncomfortably. There are good uses for proceeds from monetizing section 416 commodities. The CARE mission was awaiting results of section 416 requests before going further for monetization. Results are negative, so we have not pursued with the Government of India their requirements for the process of sales. (This question was partially addressed in my oral testimony.)

Question. You mention in your testimony that a total of 6.9 million children will be dropped CARE's School Lunch Program in India by 1989. What affect this will have on the nutritional status of those children and their ability to stay in school? And, is there any plan on the part of the Indian government to accommodate for those children in their "Integrated Child Development Scheme"?

Answer. Some of the children dropped from the CARE-supported programs may simply lose out nutritionally, and perhaps in respect to attendance. Others will still be served under state programs, to the extent that state resources can make up the difference lost from title II support. By no means can they do all of this in the space of 2 or 3 years from now.

Neither CARE nor the Government of India can provide for any of the school beneficiaries under ICDS. The latter scheme is exclusively for children of preschool age.

Question. If section 416 commodities were made available, would they be used to maintain CARE's School Lunch Program in India?

Answer. Our requests for section 416 commodities were to stretch out the U.S. contribution to school programs a little longer than the AID schedule, to help bridge the funding gap and better insure phase over. We have not yet requested section 416 for any other purpose, though apparently we have been refused on school lunch requests by the AID mission and/or Washington.

[The prepared statement of Mr. Atwood appears at the conclusion of the hearing, see p. 65.]

Mr. HALL. Thank you, Mr. Pezzullo, Mr. Atwood.

I would like to follow up with Mr. Atwood's comments concerning India. You said that you submitted three requests under the section 416 program and you were turned down all three times?

Mr. ATWOOD. The first time there was no answer. There was no written answer ever received by my mission, or my headquarters, for that matter. That was over a year ago.

The last two were in the spring. They were submitted in outline form to the AID mission. Some couple of months later—in fact, I

am carrying with me two replies—a reply to each of those requests, in which it said the AID mission would not endorse them because they did not fit with their priorities. They were for school feeding and school feeding is not an AID priority, which we recognize well. But under the intent of the section 416 provisions, it seemed that it was an appropriate use to us.

Mr. HALL. The question is to both of you. Obviously, in India you are not being encouraged to go after section 416 commodities.

Mr. ATWOOD. I would clear up one thing that you mentioned, in behalf of the PVOs—excuse me for stepping on Mr. Pezzullo's toes—but in fact, our headquarters has been notified of the availability of section 416 and the monetization issue that has been relayed to my mission, so certainly to all the other missions. It is not lack of awareness, because in fact we would not have submitted a proposal had we been unaware.

I am not at all confident that the AID mission or AID-Washington is clearly in line with the purpose for which the availability has been announced. It seems to me—and again, I don't want to create controversy here—but it seems to us that there is a divergence of opinion on how this should be handled. Certainly my opinion diverges from that of AID. But I can't identify why.

Mr. HALL. Mr. Pezzullo.

Mr. PEZZULLO. Was your question on section 416 or the monetization of section 416?

Mr. HALL. Section 416, then I will ask a question about monetization .

Mr. PEZZULLO. We have had a series of section 416 programs, and some successful ones. There have been delays at times in implementation, or getting receipt back. We have not had that specific problem mentioned by Mr. Atwood of a submission that was never even answered. I don't recall one of those.

But we see the section 416 program as a—it was engineered, as I understand it, to be more flexible than Public Law 480, or for a wider flexibility than you have in Public Law 480. It has not been used that much as of the moment. But we look upon it as a potentially very useful resource.

Mr. HALL. Are you being encouraged to use section 416 commodities?

Mr. PEZZULLO. I don't think I can honestly say we have been discouraged. We have moved along as—you know, in any organization you have got to get your own staff to start thinking positively about these programs. This gets to the question I think you asked of Julia Chang Bloch about directives to the field and to headquarters about various programs.

AID decentralizes most of its activities, so that a director in a field mission has a great deal of latitude in beginning programs and dealing with the private volunteer agency community. You would have to look at every one of the programs and the attitudes in every one of the countries to determine how effective the communication is.

Section 416 is growing, and I think it probably will grow as a program. But as of the moment, it is still a small portion of the larger food program.

Mr. HALL. What about monetization? Are you submitting requests?

Mr. PEZZULLO. Monetization is the great opportunity for the future, it seems to me. We have been talking about it and dealing with it quite intensively in our organization. Monetization, in our view of it, will be most effective when it has a tremendous amount of flexibility. If you give me the opportunity, let me mention a program which I think is almost a model of the perfect monetized program.

Last year, because of a problem in transportation, some raisins that were going into the program in Egypt got there very late. So they were too late for the regular program. Our director, meeting with the AID director in Egypt, sat down and determined that something other than what was originally planned should be done with these raisins. They jointly worked out a monetization of the raisins. And rather than to focus the proceeds on any one project, because there was no one project that they could point to at the moment, they decided to develop a fund which could then be drawn on, not only by CRS but by other agencies as well, for development projects. That thing has moved forward. The flexibility of it is what really attracts us. Because there you were able to get that wonderful blending of an opportunity and thoughtful innovative action.

Unfortunately, in most of the programming we get into with AID, it is the bureaucratic problem which gets in the way. Our people in the field get confused by different signals from a local AID director. Or we are told here—which occurred on the monetization issue earlier this year, that even though funds were available, most of them were used up already, or committed, and we were not encouraged to present more monetization programs for the year.

Now, it is that informal back and forth that really determines attitudes on the part of agencies. We do not submit programs just for the sake of submitting them. If there is no chance of success, there are certainly other things you can do with your time.

But the concept is an excellent one, it seems to me, because it offers that capacity to take the food resource, convert it in a given area and use it for whatever needs are most urgent.

Mr. HALL. Mr. Atwood.

Mr. ATWOOD. In India we have not submitted a proposal that would involve monetization. We would like to. We have submitted what amounts to a testing of the waters in our initial projects, and they haven't been very successful with those. Until we find out if we are gazed on kindly, we probably will not submit one for monetization. However, I can only agree with Mr. Pezzullo thoroughly—there are lots more things that can be done with cash that would be generated than with the food itself. We have many opportunities to support the programs that are offering supplementary food with other kinds of activity that would be funded from just such a resource. I would love to have it.

The child survival rubric that is being entertained today is one that is not precisely new to India because for 25 years since we started feeding programs, we have been engaged in nothing but child survival. We would be able to augment and supplement that program substantially with just such a cash resource.

Mr. HALL. I am going to conclude the meeting but, before I do, do any of you gentlemen have any more to say about section 416, monetization, or any of the problems that you are encountering?

Mr. PEZZULLO. I think your request of Julia Chang Bloch for messages to the field which clarify and make urgent on the part of directors in the field that they encourage this would be very useful.

May I say something on another issue—and that is the question of phaseup or phasedown of a program. We are not—and I know CARE and the other people in the field—are not committed to peddling food abroad when it is not necessary. That is not our business. We are interested in designing programs which we are comfortable with, which we think serve the recipients and serve, indeed, the world community in addressing the problem.

What we argue for is the capacity or the availability of planning on the way up and on the way down. The India case I think is a case where decisions are being made absent of that kind of dialogue. I can understand why at a given point in time a country like the United States might want to cut back on a program like that in India. But there should be consultation. There should be an exchange of ideas. There should be a planning process.

What has happened in India is almost the classic in the other direction—every evaluation, I think in both CARE and Catholic Relief Programs, have been highly praised—great programs, excellent, the best we have seen in the world. And then suddenly comes a reduction, without any consultation, without any really thorough review of where and how, and under what circumstances you should be retrenching.

Mr. ATWOOD. I can only underline that by mentioning a report that I think has probably reached your committee, if I am not corrected, it has been relayed to you. It was a study by an organization called INCERT. It was commissioned by AID in respect to the school feeding program in India. It was permitted by the Ministry of Education on the understanding that its results would determine some of the time frame for continued aid assistance—title II assistance—through CARE, to the school feeding program.

What Mr. Pezzullo said is correct. The information provided in that study was laudatory. It was positive—said the effects were good on attendance on retention and enrollment, and particularly on that affecting girls. But the predetermined result seems to have been just that. It didn't matter what that study showed—the schedule is still totally downward. It was a disappointment to us and a disappointment to the Ministry of Education—that such a device should have been employed without being valued.

I personally have no other comment on the subject of the section 416 proposals. I would still wish that the AID missions themselves were, as Mr. Pezzullo said, advised a little more directly as to what their role in this and their responsibility is. The way I feel it is being treated is as though it is just another AID availability, although it is from quite a different source, with a different intent. As far as all the literature I have read on the subject, it is not one that AID should program in its normal manner.

I understand and agree that it should be additional to that programming, but it seems to be treated on a different level.

I certainly would thank you, Mr. Chairman, unless there are other questions we might answer.

Mr. HALL. There are some questions that I want to submit to you if you would be open to that.

Mr. ATWOOD. Please do.

Mr. HALL. I appreciate your coming, giving your testimony, and sharing your experiences in the field.

With that, the meeting is adjourned.

[Whereupon, at 12:50 p.m., the task force adjourned, to reconvene subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

Prepared Statement of Hon. Marge Roukema, a Representative in Congress From the State of New Jersey

MR. CHAIRMAN:

THE SELECT COMMITTEE ON HUNGER HAS MADE A SPECIAL POINT OF EXAMINING THE EFFECTIVENESS OF OUR FOOD AID PROGRAMS IN MEETING THE EMERGENCY NEEDS OF DEVELOPING COUNTRIES. THESE PROGRAMS HAVE BEEN CRITICAL THE PAST TWO YEARS IN RESPONDING TO SUB-SAHARAN AFRICA'S SEVERE FAMINE AND DROUGHT. UNDOUBTEDLY, THE ACTION OF OUR GOVERNMENT, OTHER WESTERN DONORS AND NUMEROUS PRIVATE VOLUNTARY ORGANIZATIONS HELPED FEED MILLIONS OF PEOPLE AND SAVE HUNDREDS UPON THOUSANDS OF LIVES.

OUR FOOD AID PROGRAMS ARE ALSO AN IMPORTANT COMPONENT IN ENHANCING THE DEVELOPMENT PROCESS IN MANY OF THESE COUNTRIES. AS WE ENTER A PHASE OF RECOVERY AND REHABILITATION IN AFRICA, FOOD AID CAN ACT AS A DEVELOPMENT TOOL IF USED EFFECTIVELY. THE MONETIZATION PROVISIONS IN THE TITLE II PROGRAM AND SECTION 416 HAVE AN IMPORTANT ROLE TO PLAY. WE MUST ALSO BE MINDFUL THAT IF NOT IMPLEMENTED PROPERLY, THESE PROGRAMS CAN CREATE DISINCENTIVES FOR LOCAL AGRICULTURAL PRODUCTION. WE ADOPT THESE APPROACHES BECAUSE WE WANT TO HELP DEVELOPING COUNTRIES ACHIEVE SOME SEMBLANCE OF SELF-SUFFICIENCY, NOT BECAUSE WE SEEK TO DISPLACE AND DISRUPT THE MARKETS FOR AMERICA'S FARMERS. AFRICA'S DECLINING AGRICULTURAL PRODUCTION PER CAPITA SIGNALS A GROWING DEPENDENCE ON WESTERN FOOD AID. SUCH DEPENDENCE WILL HAMPER ECONOMIC GROWTH AND DEEPEN THE CURRENT DEBT BURDEN OF AFRICA - A PROBLEM WHICH WE ALL HAVE AN ABIDING INTEREST IN SOLVING.

FOREIGN ASSISTANCE AND FOOD AID PROGRAMS FACE CONTINUED BUDGET REDUCTIONS, AS DO MANY OTHERS. THIS MAY MEAN WE WILL HAVE TO BE MORE CREATIVE IN THE STRUCTURE OF OUR PROGRAMS AND MORE DEMANDING OF WHAT WE GET FOR EACH DOLLAR WE SPEND. OUR WITNESSES TODAY WILL COMMENT ON HOW RECENT CHANGES IN LAW HAVE BEEN IMPLEMENTED AND WHAT THE OUTLOOK IS FOR PARTICULAR REGIONS AND COUNTRIES WHICH RECEIVE THIS ASSISTANCE. THE COMMITTEE IS PARTICULARLY INTERESTED IN ANY PLANS THE ADMINISTRATION HAS FOR THE USE OF UNOBLIGATED FUNDS IN THE PL-480 PROGRAM AND THEIR POSSIBLE INCLUSION IN AN ECONOMIC AID PACKAGE TO CENTRAL AMERICA THAT WOULD ACCOMPANY OUR MILITARY AID TO THE NICARAGUAN CONTRAS. I WELCOME TESTIMONY FROM THE ADMINISTRATION OFFICIALS PRESENT AND THE REPRESENTATIVES FROM PRIVATE VOLUNTARY ORGANIZATIONS, WHO CAN GIVE US THEIR INSIGHTS.

Prepared Statement of Daniel G. Amstutz, Under Secretary for International Affairs and Commodity Programs, U.S. Department of Agriculture

Mr. Chairman, members of the committee, I appreciate the opportunity to discuss with you the Department's food aid programs and the implementation of new provisions under the Food Security Act of 1985.

World Food Outlook

In the past decade there has been substantial progress in alleviating world food problems, although we need only to remember last year's news stories about Africa to know that the tasks remaining are formidable.

However, many of these remaining tasks are not related solely to food production. Our economists estimate that the food assistance needed to meet minimum nutritional needs in the world's 69 developing countries declined sharply in 1985/86 and will fall an additional 1 million tons in 1986/87, largely because of the greatly improved food situation in Africa. In 16 of the 20 Sub-Saharan countries with national food emergencies last year, domestic cereal supplies have returned to normal. However, severe food shortages continue in Ethiopia, Angola, Mozambique and Cape Verde, where we are continuing to provide assistance.

As I said, the total 1986/87 cereal needs for all 69 countries have dropped 1 million tons from 1985/86. The assessment is quite different for the various regions of Africa. In the Sub-Sahara, 1986/87 projected needs are up from a year earlier by 205,000 tons in East Africa and 436,000 tons in West Africa. Conversely, assessed needs are down by 57,000 tons in Central Africa and 80,000 tons in Southern Africa.

For Asia, additional cereal needs are 525,000 tons lower than for 1985/86.

Food needs to meet optimal nutrition levels are down 4.6 million tons from the 1985/86 assessed level of 20.3 million. These needs are concentrated in South Asia and East Africa, each of which requires 5.2 million tons.

Overall, annual global food production increases have been running slightly ahead of the population rate for the past 10 years. With food output and population growing at nearly the same rate, storage and distribution constraints on large volumes of food imports are the key problems that limit progress in meeting food needs. These constraints pose the greatest problems in East and Southern Africa and in South Asia, with Ethiopia, Mozambique and Bangladesh facing the greatest difficulties. According to USDA estimates, these constraints will limit the 69 developing countries from absorbing one-fifth of the cereals needed to meet minimal nutritional standards in 1985/86.

U.S. Efforts to Improve the World Food Situation

As a leader in agricultural production, the United States has long recognized its responsibility to help end world hunger. The United States is the world's largest food donor; it has provided more food assistance to developing countries than all other nations combined. We are also a major source of financial aid and technical assistance.

P.L. 480

The cornerstone of the U.S. food aid program is Public Law 480 or the Food for Peace Program. In the more than 30 years this law has been in existence, it has enabled the United States to meet emergency and short-term needs of hungry people around the world. Since 1954, the United States has distributed over $35 billion worth of farm products to over 100 countries.

The P.L. 480 concessional credit sales programs under Titles I and III have been effective in economic development and in creating commercial markets for U.S. farm products. For fiscal 1986, the funding for this program is almost $900 million, which will provide long-term concessional financing for almost five and a half million metric tons of agricultural commodity exports. Our budget request for 1987 is $944.4 million, which should provide financing for a greater tonnage.

The Title II donation program is designed to relieve both chronic, long-term food shortages in lower income developing countries and emergency food requirements arising from natural disasters such as droughts or floods. A large portion of Title II food assistance moves through U.S. private voluntary organizations. The fiscal 1986 Title II budget is set at $754 million, which will provide 2.2 million metric tons (on a grain equivalent basis) of food donations. We have requested a program level of $600 million for the 1987 Title II program, which will provide 1.9 million metric tons of food donations. This decrease reflects our expectation that food aid needs in sub-Saharan Africa in 1987 will be substantially below those of the past two years, plus the fact that lower commodity prices will enable us to provide a larger quantity of food with less dollars. I should also note that we continue to have other resources to provide food aid should it be needed.

Section 416

In addition to P.L. 480, agricultural commodities acquired by Commodity Credit Corporation are made available under Section 416 of the Agricultural Act of 1949 for carrying out programs of assistance abroad.

The Food Security Act of 1985 made several major amendments to Section 416 with respect to the overseas donation of CCC commodities. The list of

eligible commodities was expanded to effectively include all edible commodities held by the Commodity Credit Corporation. However, quantities of dairy products, grains and oilseeds acquired through price support operations may be made available only if the Secretary determines that such quantities cannot be disposed of by CCC in normal domestic channels without impairment of the price support program or sold abroad at competitive world prices.

Minimum quantities were established of certain commodities that the Secretary of Agriculture must make available annually. The Food Security Act of 1985 also broadened authority regarding the sale by recipients of donated commodities to support both distribution and certain developmental activities.

Food Security Wheat Reserve

The authority to replenish the 4-million-ton Food Security Wheat Reserve was extended by the Food Security Act of 1985. The purpose of the reserve is to assure the availability of wheat for the P.L. 480 program even though the domestic supply of wheat is so limited that criteria for making wheat available under P.L. 480 could not be met except for urgent humanitarian purposes. Up to 300,000-tons of wheat may be released from the reserve in any fiscal year, without regard to the domestic supply situation, to provide urgent humanitarian relief in any developing country suffering a major disaster when the wheat could not otherwise be made available in a timely manner. Wheat from the reserve was used in 1985 to help meet the African famine needs, but the quantity used has been replenished and is available again if needed.

New Programs Authorized Under the Farm Bill

In addition to reauthorizing the Food Security Wheat Reserve and changing several aid programs, the Food Security Act of 1985 established two new programs--Food for Progress and the local currency sales initiative.

Food for Progress

The Food Security Act of 1985 authorizes a "Food for Progress" program through fiscal year 1990 which seeks to use U.S. agricultural commodities to help developing countries improve their local food production. Under this program commodities will be provided to countries that will work to implement private, free enterprise agricultural policies. Commodities provided under the program would be in addition to any assistance a country normally receives from the United States. The program can be carried out under the authority of either Section 416(b) or Title I of P.L. 480. Negotiations are underway for two Food for Progress programs, and we expect agreements to be signed shortly.

Local Currency Sales Initiative

The Food Security Act of 1985 authorizes a new, innovative effort under the authority of Title I, P.L. 480 to generate economic growth through the private sector in foreign countries. To achieve this goal, sales of commodities for local currency under Title I of P.L. 480 have been reinstated. The local currencies, accruing to the U.S. government as a result of these sales, can be loaned to financial intermediaries in Title I countries, who will then lend these currencies to local private entities, primarily in the agricultural sector. The procedures for this new program are being developed, and programs may be underway by early fiscal 1987, if not later this fiscal year.

Conclusion

The Administration is committed to continuing its efforts to help meet the world's food assistance requirements. The lower prices which will result from the changes made in agricultural commodity programs by the Food Security Act of 1985, combined with our long-standing food aid efforts will give us the tools we need to meet that commitment. That concludes my statement, Mr. Chairman. I will be glad to respond to questions.

PREPARED STATEMENT OF JULIA CHANG BLOCH, ASSISTANT ADMINISTRATOR, BUREAU FOR FOOD FOR PEACE AND VOLUNTARY ASSISTANCE, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. Chairman. I am pleased to appear before the House Select Committee on Hunger to discuss our success in implementing the development aspects of the Food Security Act of 1985. I welcome this opportunity given your Committee's role at the forefront of those who over the past year have demonstrated their keen interest and concern for the role and potential of food-aid programs in addressing both short- and longer-term problems of world hunger.

Addressing the fundamental issues of hunger is one of AID's foremost priorities. The Food for Peace Program offers a major national instrument for translating into effective action the concern we all share of helping the developing countries feed themselves. And the new legislation provides us with both a renewed mandate and important new tools for carrying out programs that promise increased effectiveness in meeting the challenge of world hunger.

I will speak in a moment about the relatively quick and effective manner in which we have been able to implement a variety of initiatives contained in the new legislation. Our success in doing so is attributable in no small measure to the close, constructive dialogue which the Administration has had with the Congress right from the moment these new programs were being drafted. I am confident that this dialogue will continue and I view today's hearings as an important element in that effort.

I have organized my comments into three major topics:

-- the status of implementation of provisions contained in the Food Security Act of 1985;

-- lessons learned during the African famine food relief efforts;

-- prospects for the future, including our FY 1987 proposed program.

Implementing the Food Security Act of 1985/Private Sector Initiatives

Mr. Chairman, I am particularly pleased to inform you today that we have made significant progress on several of the major new private sector initiatives in the PL 480 program: Food for Progress, the local currency lending program, the farmer-to-farmer program and support of expanded immunization programs.

Food for Progress

The Development Coordinating Committee (DCC) was able to reach relatively quick agreement on implementing the Food for Progress program. Field guidance was sent to seven AID missions in Africa, inviting Food for Progress proposals. All seven missions responded, and in early May agreement was reached within the DCC to fully fund two projects -- one in Madagascar, the other in Guinea -- from the Section 416 resources made available for the Food for Progress program by the Food Security Act of 1985.

The selection of these countries for funding this year was based on criteria established in the President's Third World Hunger Study. In December 1984 this group had recommended a new tool for use in addressing global hunger problems. In short, the Food for Progress program was designed to use US food resources to support developing countries that agreed to specific reforms in their agricultural policies. I am confident that the pilot projects we are undertaking this year will match our expectations.

The Madagascar proposal is designed to build on that country's major privatization effort to date: the removal of state controls on rice trading. We plan to deliver 30,000 tons of Food for Progress rice in the next year for use in programs designed to ease the switch to a market economy in the principal urban area of Madagascar. Carefully targeted releases of this rice stock should prevent erratic swings in the market price, as the government removes its remaining

controls on this commodity. Our Food for Progress rice is specifically intended to cushion the shock of such a policy shift, to make the change to a free market system less financially disruptive particularly to the urban poor. A joint NSC-AID study team just returned from Madagascar; they believe there is good reason to expect this effort to succeed. They reported, for example, that the Madagascar government in April licensed private traders for the first time to compete with the government's own rice purchasing agent in the two regions of the country where this parastatal still operates. Open competition has resulted, and the price in these regions has risen sufficiently -- from 85 francs per kilo early this year to the present 150 francs per kilo -- to create incentive for greater local production. There are problems -- the continuation of a public rice distribution system in the capital, for example -- but progress is being made in cutting this back.

In Guinea, the Food for Progress proposal is tied to a wholesale package of economic policy reforms, many of which have been undertaken within the last several months. These reforms include: a 1500 percent currency devaluation, closing of all government banks and replacing them with private banks, abolition of food rationing and state trading companies which had a monopoly over food imports; liquidation of most parastatals, reducing the civil service, and tying currency exchange to market rates. The 30,000 tons of Food for Progress rice which are being requested for Guinea will be aimed at promoting competitive open markets, the setting of prices and exchange rates by these markets, and further privatization of the agricultural sector.

Local Currency Lending Program

An interagency group chaired by the USDA has prepared draft guidelines for the local currency lending program. These guidelines are currently being reviewed with our field missions. Given the role of PVOs and cooperatives in implementing our food aid program, we look forward to their

participation in this important new initiative. We will continue to draw on their expertise as we proceed in finalizing these guidelines, which will be available prior to preparation of FY 87 Title I agreements.

Already our Missions in Tunisia, Morocco and Jamaica have expressed an interest in using local currencies for lending to financial intermediaries which would be involved in private sector relending activities. There are other countries as well where we think this program would be welcome and appropriate. We expect to get several country initiatives underway as soon as possible.

Farmer-to-Farmer

Over the past months AID, in consultation with the Department of Agriculture and the Peace Corps, has worked carefully to establish responsive program criteria and country selection priorities for the Farmer-to-Farmer program. This expanded worldwide effort, like its pilot project predecessor carried out in Latin America, will provide volunteers from American farms with opportunities to work with farmers and farmer organizations in developing countries to improve their purchasing power and the quality of life in their rural communities, as well as developing the friendships and international understanding borne of continuing contacts between Americans and host farmers. We are currently completing arrangements with Volunteers in Overseas Cooperative Assistance (VOCA) to play the lead role in implementing this program with other organizations during the next year. It is expected that approximately 350 volunteers will serve worldwide during the coming year. Recruiting will be done principally through U.S. farm groups, cooperatives, commodity organizations, universities and extension services, whose support for our food aid programs has so greatly contributed to their success.

Immunization

Early childhood immunization is one of the pillars of AID's child survival strategy, which will focus on 22 developing countries during the next five years. Our immunization strategy targets children under one year of age and places emphasis on expanded immunization coverage. We feel that PL 480 resources and programs will play critical roles in helping countries support and expand immunization coverage. Title II extensive logistics systems can be used to transport and distribute ORS packets and vaccines, if cold chain equipment is available. All Title II programs have contacts with mothers and children as well as communities. These programs will be used to promote immunizations and help organize communities for participation in immunization programs. PVO's such as CRS in Senegal and CARE in India, who have been involved primarily with supplementary feeding programs are planning to play new roles in promotion, training and supervision of child survival initiatives including immunizations.

Estimated costs of fully immunizing a child are approximately $10.00. Almost 70% of these costs are local. Thus, Title I and III support will be very useful in many poorer countries. Countries such as Somalia, Madagascar, Zaire and Dominican Republic have a history of using Titles I for immunization support. Title III programs in Bolivia and Haiti support health programs that emphasize immunizations.

Multi-Year Programming

In keeping with the amended Title II legislative requirement which encourages multi-year PVO programming, AID program guidance for FY 1987 requested that the PVOs prepare and submit multi-year operational plans in conjunction with their FY 1987 Title II proposals. Better planning and improved targeting are our goals. In preparing their proposals, Missions and PVOs have been instructed to provide clear problem statements with

specification of objectives and criteria for measuring success, description of target populations and the rationale for their selection, discussion of linkages with other donors and host country agencies, identification of necessary complementary inputs and funding sources, and logistics plans for carrying out the program. Operational plans from several countries have been developed within this new framework and will serve as models for broad application.

Mr. Chairman, my comments thus far have been largely prospective in nature, a cursory look at what we hope to accomplish with the new legislation. I would like to shift gears for a moment to address an issue which I know is of similar interest to this Committee: the past performance of food-aid programs and what we have learned in this field.

Food Aid Lessons of the African Emergency

There is no better measure of our recent experience in food assistance efforts than the African drought and famine. The principal lesson we learned is that while future African droughts are likely, there need not be future famines on that continent. Effective use of the new legislation which I have just described will help immeasurably in this regard. But an equally important tool will be effective application of lessons we learned in the last year or so in Africa.

The African food relief effort last year was both a sobering and an uplifting experience -- sobering because of the drought's toll on human lives; uplifting because of the extraordinary response. Clearly the efforts of African governments, the donors and non-governmental organizations saved millions of lives. Looking back, we can take great pride in our remarkable accomplishments. I think the Congress, the Executive Branch and the American public can be proud of the effective action we took in meeting this emergency.

By the fall of 1984 the continent was facing a near catastrophe

involving 200 million people in 22 countries. The lives of 30 million people were in immediate jeopardy.

The United States alone committed more than $2 billion of emergency assistance. Americans contributed over $200 million through their churches, schools, non-governmental organizations, and corporations. Individuals from other nations did the same.

This overwhelming response offered a graphic demonstration of the willingness of people of many nations to work together to relieve human suffering.

Overall, the response of the US and of the international community was magnificent. This is not to say it was perfect. The African emergency proved to be an educational experience with regard to the uses and limits of food aid.

I would like to quickly summarize for you a few of the lessons that we have learned from our experience. Let me start by drawing your attention to several of our most compelling findings and conclusions:

Lesson 1: Key information that was needed for early warning such as needs assessment, targetting and impact evaluation frequently was not available.

Although the drought was in its third or fourth year, African countries and the international community were not fully prepared for the severe conditions experienced in 1984-85. At times, neither host governments nor donors were able to act decisively in the absence of timely and accurate information.

The facts are that we now know a great deal about how to detect approaching famine. These methods, tested in the famine, include satellites to check weather and crop yields, weighing children to monitor the amount of malnutrition and tracking prices of food in local markets.

Lesson 2: The initiative for managing emergency food responses rests with host governments.

The emergency demonstrated that most of the affected governments have limited capacity to handle such large efforts. Selective strengthening of their general administrative capability in the next few years should be considered. This should be done in a way that does not just expand bureaucracies.

Lesson 3: Donor and host government coordination is critical to ensuring a more rapid and concerted response to drought emergencies.

Such coordination worked especially well when in-country donor coordination had been established prior to or early in the drought cycle. For example, in Mali, donors had already worked together on agricultural policy issues. Therefore, it was a logical step for them to be collectively involved in identifying and assessing the food emergency.

Lesson 4: The private sector -- and particularly the non-governmental organizations -- played a key role in the distribution of massive amounts of food, for example, to remote areas in Sudan, Mali, Chad and Ethiopia.

Non-governmental organizations, both local and foreign, helped identify groups and areas in need. They helped get the food to the countryside and monitored its distribution and end use. The private sector played a major role in the logistics arena. Private trucks were often a crucial link in delivering food to the rural population.

Lesson 5: Traditional coping mechanisms, such as community sharing and the consumption of famine foods (roots and tubers)

were of critical importance in extending available food-aid to more people and preventing many deaths.

The availability of such foods was especially important in keeping people alive during the summer of 1985, just before the last harvest. We need to be more alert to these coping mechanisms.

Lesson 6: Special expertise, administrative procedures and funding mechanisms are essential for the successful implementation of emergency programs.

The skills needed are not the same as those involved in carrying out a development program under ordinary circumstances. Emergency programs are different from, not an extension of, normal development activities.

Lesson 7: Food alone is not enough: other resources -- including money, transportation, seeds, tools, and technical assistance -- are also necessary.

Where complementary resources are available and linked with food, the results will be more positive and development ties will be stronger. Similarly, the impact of general food distribution programs can be increased by adding supplemental feeding and health care. The lack of a health component will weaken the impact of the overall effort, especially in meeting the needs of those who are most at risk. And finally,

Lesson 8: Emergency food-aid programs need to be designed and administered so they support longer-term developmental objectives, as well as keep hungry people alive.

The lack of adequate income is at the root of both underdevelopment and food emergencies. Household income is an essential link between development and emergency activities for those affected by drought. While development activities are aimed at increasing the income level of the poor, they do not always reach the groups most vulnerable to drought.

By the same token, emergency activities, which do reach those most at risk, are usually designed simply to feed them and reduce their suffering. I conclude that with better targeting of our development programs and more lead time, it should be possible to better bridge the gap between emergency and development.

A.I.D. takes these lessons seriously, and has already begun acting on them. Rather than elaborate here in detail on our plans, I might just mention a few of the actions we have already taken in the key areas of food needs assessment, donor coordination, and country capacity building:

-- Last year A.I.D. field-tested a simplified methodology we had drawn up to determine the magnitude of a country's food deficit - a first critical step in providing food-aid. What makes this methodology different from most others is that it is specifically designed to be used by the layman who is working on the ground in an emergency situation.

-- We have shared this methodology - presented in French and English manuals - with other donors and international assistance organizations. In addition, we are providing related technical assistance for a number of African countries.

-- This year we are sponsoring a training workshop in Africa for representatives of African governments and relief organizations in using the methodology, which has now also been converted to a personal computer program. In addition to helping African governments institutionalize their capacity to do sound assessments of their food situation, we hope that this workshop will provide an opportunity to reach a better understanding between the various relief organizations on common approaches to assessing food needs so that faster and more effective coordination in times of emergency will be possible.

-- AID also is supporting innovative uses of satellite data in conjunction with country social and economic information to provide early warning of famine conditions and identification of emergency food shortages.

-- We will continue to work closely with USDA and other USG Agencies, as well as the broader donor community to develop and expand information-gathering capabilities and establish the infrastructure necessary to respond to conditions that would otherwise lead to famine.

Prospects for the Future

Finally, with regard to our overall program next year, the budget which we have submitted this year was prepared within the context of the Gramm-Rudman-Hollings legislation and the effort by the Congress and the Administration to address effectively the deficit problems which face the country. A strong US economy is essential to economic progress throughout the developing world. And a strong US farm economy is certainly a major element in that effort. Our overall request, as part of the President's budget, of course, is consistent with the plan that the federal deficit not exceed $144 billion in FY 1987. For P.L. 480, an important part of the development effort, levels in the President's budget are below those in FY 1986. Despite this lower budget level, we expect due largely to lower commodity and shipping costs to exceed the minimum tonnage requirements established by the legislation.

Mr. Chairman, AID's ultimate goal is a world in which economic growth and development are self-sustaining and extremes of poverty have been eliminated. The long range foreign policy objectives of the United States are best served by a world of sustained economic development and general human well-being. Our task is to help poor people to help themselves through enhanced opportunity. This is a governing philosophy of the

assistance program that we are submitting to you. We believe this program worthy of your continued strong support.

A not insignificant reason for this support is the belief, shared by this Administration, that economic development is key to ending world hunger and one of the best ways to open markets and to increase trade. Food-aid -- correctly used -- has immeasurably helped developing countries. It has also helped to create wider demand for commercial US agricultural exports.

Mr. Chairman, I will be pleased to answer your questions.

FIELD COMMUNICATIONS

R 210718Z MAR 86
FM SECSTATE WASHDC
TO AMEMPASSY VICTORIA

UNCLAS STATE 073360

AIDAC

FOLLOWING STATE 073360 DTD MAR 10, 1986 SENT ACTION
AID WORLDWIDE, TEL AVIV, WARSAW, BEING REPEATED FOR
YOUR ACTION:
QUOTE:
UNCLAS STATE 073360

AIDAC

E.O. 12356: N/A
TAGS:
SUBJECT: P.L. 480 TITLE II - FY 1987 PROGRAM GUIDANCE

REF: STATE 334505 DTD 10/31/85

SUMMARY: THIS MESSAGE PROVIDES BRIEF DESCRIPTION OF
RECENT LEGISLATION AFFECTING P.L. 480 TITLE II AND
SECTION 416 PROGRAMS AND PROVIDES GENERAL GUIDANCE
FRAMEWORK FOR PREPARATION OF FY 1987 TITLE II PVO
SUBMISSIONS DUE IN AID/W NLT 4/15/86.

1. THIS MESSAGE, WHICH IS TO BE SHARED WITH CURRENT AND
POTENTIAL TITLE II PRIVATE VOLUNTARY ORGANIZATION (PVO)
COOPERATING SPONSORS, PROVIDES GENERAL GUIDANCE FOR THE

PLANNING AND PREPARATION OF FY 1987 P.L. 480 TITLE II PVO SUBMISSIONS. THOSE PROGRAM REQUESTS ARE DUE IN AID/W NOT LATER TEAN APRIL 15, 1986 FOR FY 1987 PROGRAMS. WHEREVER POSSIBLE, IT IS REQUESTED THAT P.L. 480 TITLE II PROGRAM REQUESTS BE SUBMITTED IN CONJUNCTION WITH ACTION PLANS IN ORDER TO FACILITATE REGIONAL BUREAU REVIEW. THE PRCPOSALS WILL REQUIRE CAREFUL USAID OR MISSION REVIEW AND COMMENT. MANY PVOS ALSO WILL NEED TO FORWARD THEIR PROGRAM REQUEST TEROUGH THEIR HEADQUARTERS. THEREFORE, ACTION ON PREPARATION OF

TEE PROPOSED PROGRAMS SHOULD BEGIN IMMEDIATELY IF IT IS NOT ALREADY UNDERWAY.

2. THE FY'87 TITLE II PVO PROPOSALS SHOULD BE CONSISTENT WITH TEE AGREED UPON STRATEGIES AND OBJECTIVES DEVELOPED IN THE USAID ABS, ACTION PLAN AND/OR CDSS FRAMEWORK. A CABLE GUIDANCE TO INDIVIDUAL MISSIONS WILL TRANSMIT THE FY 87 TITLE II PROGRAM LEVEL AS SEOWN IN THE JUST RELEASED CONGRESSIONAL PRESENTATION FOR USE IN THE AER PREPARATION. HOWEVER SEVERAL MAJOR CHANGES IN P.L. 480 RELATED LEGISLATION WEICE WILL BE DESCRIBED IN TEIS MESSAGE PROVIDE THE OPPORTUNITY FOR DISCUSSION OF A BROADER RANGE OF GRANT FOOD AID PROGRAMS INCLUDING NEW POSSIBILITIES AND NEW INITIATIVES.

3. IN PREPARING THE FY 1987 PROPOSALS, USAIDS AND PVOS SBOULD BE MINDFUL OF TEE GUIDANCE CONTAINED IN REFTEL ENTITLED QUOTE REVISED REQUIREMENTS FOR TITLE II OPERATIONAL PLAN UNQUOTE. BRIEFLY STATED, THE MAJOR ELEMENTS OF THE NEW THREE TO FIVE YEAR MULTI-YEAR OP PLAN WILL BE:

A CLEAR PROBLEM STATEMENT AND SPECIFICATION OF OBJECTIVES INCLUDING CRITERIA FOR MEASURING PROGRESS TOWARD REACHING TEE OBJECTIVES;

- DESCRIPTION OF TEE TARGET POPULATION AND TEE RATIONALE FOR SELECTION OF THE TARGET GROUP;

- DESCRIPTION OF THE INTERVENTION INCLUDING THE INTERVENTION STRATEGY, COMPLEMENTARY PROGRAM INPUTS AND TEE RATION;

- LINKAGES WITH OTHER DEVELOPMENT ACTIVITIES;

- A MONITORING AND EVALUATION PLAN;

- HOST GOVERNMENT, COOPERATING SPONSOR AND OTHER NON-USG SUPPORT;

- A LOGISTICS PLAN.

MISSIONS ARE REMINDED TEAT TEE NEW OP PLAN REQUIREMENTS APPLY TO ALL PVO NON-EMERGENCY AND EMERGENCY PROPOSALS.

4. WE EXPECT THAT OP PLANS FROM INDIA, SENEGAL AND BOLIVIA WILL SERVE AS MODELS OF HOW FOOD AID CAN BE WELL DESIGNED AND INTEGRATED INTO THE HEALTH AND NUTRITION

STRATEGIES OF BOTH A.I.D. AND THE HOST COUNTRY. EVALUATIONS AND TECENICAL ASSISTANCE EAVE ALREADY

PROVIDED THE GROUNDWORK IN THESE COUNTRIES FOR THE INITIAL DESIGN OF THESE PROGRAMS.

5. PARTICULAR ATTENTION WILL BE GIVEN TO THE OP PLANS AND PROPOSALS SUBMITTED BY THE PVOS FROM THE ELEVEN COUNTRIES WHICH WERE REPRESENTED AT THE FOOD FOR WORK WORKSHOP HELD IN ANNAPOLIS, MARYLAND IN DECEMBER, 1985. EACH COUNTRY TEAM AT THE WORKSHOP HAD THE CHANCE TO WORK ON AND CONSIDER POTENTIAL OR ACTUAL FOOD FOR WORK PROJECT MODELS WITHIN THE GENERAL FRAMEWORK OF THE PLANNING PROCESS CALLED FOR IN THE NEW OP PLAN REQUIREMENTS. FUNDING FROM FVA TECHNICAL ASSISTANCE/EVALUATION BUDGET WILL BE AVAILABLE FOR FOLLOW UP DESIGN ASSISTANCE IN THE DEVELOPMENT OF THESE ACTIVITIES. IT WILL BECOME CLEAR IN THE FOLLOWING SECTION THAT COMPLIMENTARY RESOURCES WILL ALSO BE AVAILABLE TO HELP SUPPORT THE TYPE OF INITIATIVES IDENTIFIED AT THE WORKSHOP.

6. SEVERAL RECENT LEGISLATIVE ACTIONS HAVE RESULTED IN AMENDMENTS TO TITLE II OF P.L. 480 AND SECTION 416 OF THE AGRICULTURAL ACT OF 1949 OR AFFECT THESE PROGRAMS. THE CHANGES ARE SUMMARIZED BELOW.

A. INTERNATIONAL SECURITY AND DEVELOPMENT COOPERATION ACT OF 1985.

- SECTION 1004 AMENDS SECTION 202(E) OF TITLE II BY ADDING THE FOLLOWING NEW PARAGRAPH: QUOTE (4) IN THE CASE OF COMMODITIES DISTRIBUTED UNDER THIS TITLE BY NONPROFIT VOLUNTARY AGENCIES, CONSIDERATION SHALL BE GIVEN TO NUTRITIONAL AND DEVELOPMENTAL OBJECTIVES AS ESTABLISHED BY THOSE AGENCIES IN LIGHT OF THEIR ASSESSMENT OF THE NEEDS OF THE PEOPLE ASSISTED. UNQUOTE

- SECTION 1005 AMENDS SECTION 202 OF TITLE II BY ADDING: QUOTE (C) (1) IN AGREEMENTS WITH NONPROFIT VOLUNTARY AGENCIES AND COOPERATIVES FOR NON-EMERGENCY PROGRAMS UNDER THIS TITLE, THE PRESIDENT IS ENCOURAGED, IF REQUESTED BY THE NONPROFIT VOLUNTARY AGENCY OR COOPERATING SPONSOR, TO APPROVE MULTI-YEAR AGREEMENTS TO MAKE AGRICULTURAL COMMODITIES AVAILABLE FOR DISTRIBUTION BY THAT AGENCY OR COOPERATIVE. SUCH AGREEMENT SHALL BE SUBJECT TO THE AVAILABILITY EACH FISCAL YEAR OF THE NECESSARY APPROPRIATION AND AGRICULTURAL COMMODITIES UNQUOTE.

- QUOTE (2) PARAGRAPH (1) DOES NOT APPLY TO AN AGREEMENT WHICH THE PRESIDENT DETERMINES SHOULD BE LIMITED TO A SINGLE YEAR BECAUSE OF THE PAST PERFORMANCE OF THE NONPROFIT VOLUNTARY AGENCY OR COOPERATIVE OR BECAUSE THE AGREEMENT INVOLVES A NEW PROGRAM OF ASSISTANCE UNQUOTE.

- QUOTE (3) IN CARRYING OUT A MULTI-YEAR AGREEMENT PURSUANT TO THIS SUBSECTION, A NONPROFIT VOLUNTARY AGENCY OR COOPERATIVE SHALL NOT BE REQUIRED TO OBTAIN ANNUAL APPROVAL FROM THE UNITED STATES GOVERNMENT IN ORDER TO CONTINUE ITS ASSISTANCE PROGRAM PURSUANT TO THE AGREEMENT UNLESS EXCEPTIONS AND UNFORESEEN CIRCUMSTANCES HAVE OCCURRED WHICH THE PRESIDENT DETERMINES REQUIRE SUCH APPROVAL UNQUOTE.

B. THE FY 1986 APPROPRIATION ACT FOR FOREIGN ASSISTANCE,

THE AGRICULTURE, RURAL DEVELOPMENT AND NUTRITION DEVELOPMENT ASSISTANCE ACCOUNT PROVIDED QUOTE THAT NOT LESS THAN DOLLARS 5,000,000 SHALL BE PROVIDED FOR NEW DEVELOPMENT PROJECTS OF PRIVATE ENTITIES AND COOPERATIVES UTILIZING SURPLUS DAIRY PRODUCTS. UNQUOTE

PLEASE NOTE THIS DA FUNDED ACCOUNT IS AVAILABLE ONLY FOR FY 86 OBLIGATION. THEREFORE, USAID AND/OR PVOS ARE ENCOURAGED TO CONSIDER IMMEDIATE REQUESTS FOR PROJECT FUNDING IN FY 86 AS WELL AS PLANNING FOR POTENTIAL USE AS PART OF PROGRAMS DESCRIBED IN THE FY 87 PROGRAM SUBMISSION. MORE DETAILED GUIDELINES FOR PROJECT PROPOSALS UNDER THIS ACCOUNT ARE CURRENTLY BEING PREPARED AND WILL BE FORWARDED ASAP; HOWEVER ATTENTION SHOULD BE DRAWN TO TWO RELEVANT POINTS: A) THE FUNDS ARE AVAILABLE FOR NEW REPEAT NEW DEVELOPMENT PROJECTS AND NOT TO HELP FUND CURRENT ONGOING EFFORTS AND, B) UTILIZING SURPLUS DAIRY PRODUCTS COULD IMPLY SUCH USE EITHER UNDER SECTION 416 OR TITLE II.

C. THE FOOD SECURITY ACT OF 1985 (FARM BILL)

- SECTION 1102 AMENDS SECTION 201 (B) OF TITLE II BY INCREASING THE MINIMUM TONNAGE FOR TITLE II IN FYS 87 THRU '90 TO 1.9 MILLION METRIC TONS OF WHICH NOT LESS THAN 1.425 MILLION METRIC TONS SHALL BE DISTRIBUTED THROUGH NONPROFIT VOLUNTARY AGENCIES, COOPERATIVES AND THE WORLD FOOD PROGRAM FOR NON-EMERGENCY PROGRAMS.

- SECTION 1103 AMENDS SECTION 201 OF TITLE II BY REQUIRING THAT AT LEAST 75 PERCENT OF THE QUANTITY OF

COMMODITIES DISTRIBUTED EACH YEAR FOR NON-EMERGENCY PROGRAMS BE IN THE FORM OF PROCESSED OR FORTIFIED OR BAGGED COMMODITIES:

- SECTION 1104 AMENDS TITLE II BY ADDING A NEW SECTION 207 AS FOLLOWS:

- QUOTE SEC. 207 (A) A NONPROFIT VOLUNTARY AGENCY REQUESTING A NON-EMERGENCY FOOD ASSISTANCE AGREEMENT UNDER THIS TITLE SHALL INCLUDE IN SUCH REQUEST A DESCRIPTION OF THE INTENDED USE OF ANY FOREIGN CURRENCY PROCEEDS THAT WOULD BE GENERATED WITH THE COMMODITIES PROVIDED UNDER THE AGREEMENT.

- QUOTE (B) SUCH AGREEMENT SHALL PROVIDE, IN THE AGGREGATE FOR EACH FISCAL YEAR, FOR THE USE OF FOREIGN CURRENCY PROCEEDS UNDER THIS SUBSECTION IN AN AMOUNT THAT IS NOT LESS THAN 5 PERCENT OF THE AGGREGATE VALUE OF THE COMMODITIES DISTRIBUTED UNDER NON-EMERGENCY PROGRAMS UNDER THIS TITLE FOR SUCH FISCAL YEAR. UNQUOTE

- QUOTE (B) SECTION 207 OF THE AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT OF 1954 (AS ADDED BY SUBSECTION (A) SHALL APPLY WITH RESPECT TO AGREEMENTS ENTERED INTO AFTER DECEMBER 31, 1985 UNQUOTE.

- SECTION 1109 SUBSTANTIALLY AMENDS SECTION 416 OF THE

AGRICULTURAL ACT OF 1949. AN INTERAGENCY TASK FORCE IS CURRENTLY WORKING ON SPECIFIC GUIDELINES FOR IMPLEMENTING THE NEW SECTION 416 PROGRAM. IT IS EXPECTED THAT THESE GUIDELINES WILL BE AVAILABLE LATER IN MARCH AND AT THAT TIME THEY WILL BE PROVIDED TO ALL MISSIONS AND COOPERATING SPONSORS. IN THE INTERIM, IT SHOULD BE NOTED THAT SECTION 416 AUTHORITY MAY LEAD TO: A) CONSIDERABLY EXPANDED PROGRAM LEVELS OF UP TO 500,000 METRIC TONS OF GRAINS AND OILSEEDS AND 150,000 METRIC TONS OF DAIRY PRODUCTS, DEPENDING ON CCC INVENTORY AND COMMITMENTS, B) MONETIZATION OF AT LEAST 5 PERCENT OF AGGREGATE VALUE OF SECTION 416 TO FINANCE COSTS OF DISTRIBUTION, HANDLING AND PROCESSING IN THE IMPORTING COUNTRY AND FOR ENHANCING EFFECTIVENESS OF COMMODITY DISTRIBUTION AND USE INCLUDING FOOD FOR WORK PROGRAMS AND COOPERATIVE AND AGRICULTURAL PROJECTS.

- SECTION 901B AMENDS THE MERCHANT MARINE ACT OF 1939 BY CHANGING CARGO PREFERENCE REQUIREMENTS FOR P.L. 480 AND SECTION 416 PROGRAMS. A NEW CALENDAR YEAR CARGO PREFERENCE COMPLIANCE PERIOD OF APRIL - MARCH IS ADOPTED BY THE NEW LAW. EFFECTIVE APRIL 1, 1986, THE U.S. FLAG SHARE INCREASES TO 60 PERCENT, APRIL 1987 TO 70 PERCENT AND TO 75 PERCENT IN SUBSEQUENT YEARS.

7. MISSIONS AND PVOS ALSO SHOULD REALIZE THAT THE TITLE II PROGRAM WILL BE SUBJECT TO THE PROVISION OF THE GRAMM-RUDMANN-HOLLINS ACT. ITS FINAL IMPACT ON THE FY 1987 AND OUTYEAR BUDGETS IS NOT YET KNOWN. THE FY 87 TITLE LEVELS TO BE PROVIDED SEPTEL, HOWEVER ARE CURRENTLY WITHIN THE GRAMM-RUDMANN-HOLLINS DEFICIT TARGET FOR FY 1987.

8. IT IS CLEAR THAT THE LEGISLATIVE CHANGES AFFECTING TITLE II AND SECTION 416 SUMMARIZED ABOVE PRESENT THE POSSIBILITY FOR ENHANCING OUR FOOD AID PROGRAMS. FVA BELIEVES THERE IS POTENTIALLY AN INCREASE IN PROGRAM FLEXIBILITY GENERATED BY THE OPPORTUNITIES AND POSSIBILITIES INHERENT IN THE EXPANDED LEGISLATIVE FRAMEWORK. THESE INCLUDE THE MULTI-YEAR APPROVAL APPROACH, INCREASED AVAILABILITY OF COMPLEMENTARY RESOURCES THROUGH MONETIZATION, THE TITLE II OUTREACH PROJECT, THE TITLE II ENHANCEMENT PROJECT, THE DA RESOURCES AVAILABLE TO SUPPORT NEW PROJECTS UTILIZING SURPLUS DAIRY PRODUCTS AS WELL AS LINKAGES TO RESOUR ES AVAILABLE AS PART OF CHILD SURVIVAL INITIATIVES. PVOS ARE ENCOURAGED TO EXPLORE THESE OPPORTUNITIES AS THEY DEVELOP THEIR PROPOSALS. IN ADDITION, PVOS ARE ENCOURAGED TO CONCEPTUALIZE THEIR PROGRAMS IN OTHER THAN THE TRADITIONAL TITLE II FEEDING CATEGORIES OF MATERNAL-CHILD HEALTH, FOOD FOR WORK AND SCHOOL FEEDING, ESPECIALLY AS THEY BEGIN NEW PROGRAMS OR PROJECTS. FOR EXAMPLE, IN SUB-SAHARA AFRICA AS PVOS PLAN THEIR PROGRAM TRANSITION FROM THE EMERGENCY FEEDING MODES WHICH HAVE DOMINATED THE LAST FEW YEARS TO A NON-EMERGENCY STATUS, IT MAY BE APPROPRIATE TO PLAN ON THE BASIS OF AN INTEGRATED RURAL VILLAGE DEVELOPMENT APPROACH MAKING USE OF SOME OF THE SPIGOTS MENTIONED ABOVE WHILE INCORPORATING ELEMENTS OF FOOD FOR WORK AND CHILD SURVIVAL. MISSIONS AND PVOS ARE ENCOURAGED TO PROPOSE NON-TRADITIONAL AND CREATIVE USES OF TITLE II RESOURCES.

9. AT THE SAME TIME, A CAUTIONARY NOTE MUST BE SOUNDED. THE NEW POSSIBILITIES HAVE TO BE TEMPERED BY ELEMENTS OF REALISM. FULLY STAFFED OUT AND INTER-AGENCY CLEARED GUIDELINES FOR NEW TITLE II ACTIVITIES AND SECTION 416 PROGRAMS ARE NOT AVAILABLE YET AND IT IS POSSIBLE THAT SOME OF THESE ASPECTS WILL BE CONTROVERSIAL AND DIFFICULT TO IMPLEMENT. FOR EXAMPLE, MONETIZATION PROPOSALS WILL RECEIVE VERY CAREFUL SCRUTINY BY THE DCC. IN ADDITION, FVA INTENDS TO MOVE

FORWARD THIS YEAR WITH A COMPLETE REVISION OF AID REGULATION 10 AND 11 AND HANDBOOK 9. IN THE INTERIM, IT IS LIKELY THAT MOST NEW OR INNOVATIVE PROPOSALS FOR TITLE II OR SECTION 416 ACTIVITIES WILL BE JUDGED ON THEIR MERITS ON A CASE-BY-CASE BASIS PENDING COMPLETION OF REVISED TITLE II AND SECTION 416 GUIDANCE, REGULATIONS AND HANDBOOKS.

10. THE REVIEW PROCESS WITHIN A.I.D. THIS YEAR WILL BE MORE SYSTEMATIC AND RIGOROUS THAN IN PREVIOUS YEARS AND WILL INVOLVE ACTIVE PARTICIPATION OF A.I.D. REGIONAL BUREAUS AND TECHNICAL OFFICES. GIVEN THE DEMAND FOR EXISTING RESOURCES AND OUR DESIRE TO IMPROVE THE DESIGN OF FOOD AID PROGRAMS IN ORDER TO INCREASE THEIR DEVELOPMENTAL IMPACT, OP PLANS WILL BE CAREFULLY SCRUTINIZED AND FEEDBACK PROVIDED TO USAIDS BEFORE GOING TO THE DCC FOR APPROVAL. PRIORITY CONSIDERATION WILL BE GIVEN TO THOSE COUNTRIES AND PROGRAMS PRESENTING THE STRONGEST OP PLANS. MISSION AND PVOS ARE ENCOURAGED TO SIGNAL AID/W WITH BRIEF SUMMARIES OF PROPOSED NEW OR INNOVATIVE PROPOSALS BEFORE THEY ARE FULLY WORKED UP AND FORMALLY SUBMITTED.
WHITEHEAD UNQUOTE WHITEHEAD

Operational Plan Guidance

R 311000Z OCT 85 ZEX
FM SECSTATE WASHDC
TO AID WORLDWIDE

UNCLAS STATE 334505

AIDAC

E.O. 12356: N/A
TAGS: N/A
SUBJECT: PL 480, TITLE II - REVISED REQUIREMENTS FOR TITLE II OPERATIONAL PLAN

1. AT THE TWO RECENT FOOD FOR PEACE CONFERENCES IN NEW DELHI AND ABIDJAN, CONSIDERABLE TIME AND ATTENTION WAS DEVOTED TO DISCUSSION OF THE BASIC DOCUMENT UPON WHICH ALL TITLE II PVO PROGRAMS ARE BASED - THE PLAN OF OPERATION. THERE WAS GENERAL AGREEMENT THAT BOTH AID AND COOPERATING SPONSORS FOR SOME TIME HAVE TENDED TO NEGLECT THE IMPORTANCE OF THE PLAN OF OPERATION.

2. CURRENTLY, SECTION 211.5 OF AID REGULATION 11 SETS

OUT THE REQUIREMENT FOR THE PLAN OF OPERATION AS FOLLOWS.

(A) PLAN OF OPERATION. EACH COOPERATING SPONSOR SHALL SUBMIT TO THE USAID OR DIPLOMATIC POST FOR THE APPROVAL OF AID/W, WITHIN SUCH TIMES AND ON THE FORMS PRESCRIBED BY AID/W, A DESCRIPTION OF THE PROGRAM IT IS SPONSORING OR PROPOSES TO SPONSOR. THIS DESCRIPTION WILL PROVIDE BASIC INFORMATION FOR PREPARATION AND AMENDMENT OF FOOD FOR PEACE PROGRAM AGREEMENTS AND INDIVIDUAL COUNTRY FOOD FOR PEACE PROGRAM AGREEMENTS AND WILL INCLUDE PROGRAM PURPOSES AND GOALS, CRITERIA FOR MEASURING PROGRAM

EFFECTIVENESS, AND OTHER SPECIFIC PROVISIONS IN ADDITION TO THOSE SET FORTH IN THIS PART. FURTHER, THIS DESCRIPTION WILL INCLUDE INFORMATION FROM WHICH IT MAY BE DETERMINED THAT THE DISTRIBUTION OF COMMODITIES IN THE RECIPIENT COUNTRY WILL NOT RESULT IN A SUBSTANTIAL DISINCENTIVE TO DOMESTIC PRODUCTION AND THAT ADEQUATE STORAGE FACILITIES ARE AVAILABLE IN THE RECIPIENT COUNTRY AT THE TIME OF EXPORTATION OF THE COMMODITY TO PREVENT THE SPOILAGE OR WASTE OF THE COMMODITY.

3. WE PROPOSE TO ELIMINATE THE ABOVE FINAL TWO SENTENCES OF THE CURRENT REQUIREMENT OF SECTION 211.5 AND SUBSTITUTE THE FOLLOWING LANGUAGE.

-- THIS PLAN OF OPERATION WILL BE CONSIDERED A PART OF THE FOOD FOR PEACE PROGRAM AGREEMENT AFTER IT IS APPROVED BY AID. WITHIN THE OVERALL OBJECTIVES OF THE APPROVED PROGRAM, ELEMENTS OF THE PROGRAM MAY BE CHANGED BY WRITTEN AGREEMENT OF THE AUTHORIZED REPRESENTATIVES OF THE COOPERATING SPONSOR, ON THE ONE HAND, AND AID AND CCC, WITHIN THEIR RESPECTIVE AREAS OF RESPONSIBILITY, ON THE OTHER, WITHOUT FORMAL AMENDMENT OF THE AGREEMENT. IN CASE OF THE CONFLICT BETWEEN THE TEXT OF THE AGREEMENT AND THE APPROVED PLAN OF OPERATION THE TEXT OF THE AGREEMENT PREVAILS. THIS PLAN OF OPERATION WILL ALSO PROVIDE THE BASIC INFORMATION FOR PREPARATION OF INDIVIDUAL COUNTRY FOOD FOR PEACE PROGRAM AGREEMENTS DEVELOPED AND RENEWED ANNUALLY (OR PERIOD DESIGNATED) WITH THE CO-SPONSORS' COUNTERPART AND HOST GOVERNMENT.

IN ADDITION TO ANY OTHER REQUIREMENT OF LAW OR REGULATION, THE OPERATION PLAN WILL INCLUDE THE FOLLOWING INFORMATION:

(A) A DESCRIPTION OF PROGRAM GOALS AND CRITERIA FOR MEASURING PROGRESS TOWARD REACHING THE GOALS. EACH PROGRAM SHOULD BE DESIGNED TO ACHIEVE MEASURABLE OBJECTIVES WITHIN A SPECIFIED PERIOD OF TIME.

(B) PROGRAM DESCRIPTION:

- (1) PROBLEM STATEMENT: WHAT ARE THE CHARACTERISTICS, EXTENT AND SEVERITY OF PROBLEMS THAT THE PROGRAMS WILL ADDRESS.

(2) SPECIFICATION OF OBJECTIVES: CLEAR CONCISE STATEMENT OF SPECIFIC OBJECTIVES FOR EACH PROGRAM AND CRITERIA FOR MEASURING PROGRESS TOWARDS REACHING OBJECTIVES. IF THERE ARE SEVERAL OBJECTIVES, INDICATE

~~II. PRIORITIES.~~

-- (3) DESCRIPTION OF THE TARGET POPULATION BY PROGRAM, INCLUDING ECONOMIC/NUTRITION RELATED CHARACTERISTICS, THAT IS SUFFICIENT TO PERMIT A DETERMINATION OF RECIPIENT ELIGIBILITY FOR TITLE II COMMODITIES. DESCRIPTION OF THE EDUCATIONAL AND EMPLOYMENT CHARACTERISTICS OF THE TARGET GROUP, AS MAY BE RELEVANT TO PROGRAM OBJECTIVES. THE RATIONALE FOR SELECTION OF THE TARGET GROUP. THE RATIONALE FOR SELECTION OF GEOGRAPHICAL AREAS WHERE PROGRAMS WILL BE CARRIED OUT. CALCULATION OF COVERAGE: PERCENT OF TOTAL TARGET POPULATION REACHED.

- (4) DESCRIPTION OF INTERVENTION INCLUDING:

- - (A-) RATION COMPOSITION: DESCRIPTION OF RATIONS, RATIONALE FOR SIZE AND COMPOSITION, ASSESSMENT OF EFFECTIVENESS (DILUTION, SHARING, ACCEPTANCE).

- (-B-) COMPLEMENTARY PROGRAM COMPONENTS AND INPUTS: IDENTIFICATION OF EXISTING OR POTENTIAL COMPLEMENTARY PROGRAM COMPONENTS, I.E., EDUCATION, GROWTH MONITORING, TRAINING, ETC., THAT ARE NECESSARY TO ACHIEVE PROGRAM IMPACT, INCLUDING DETERMINATION OF FINANCIAL COSTS AND SOURCES OF FUNDING.

- - (C-) INTERVENTION STRATEGY: DESCRIBE HOW THE FOOD AND OTHER PROGRAM COMPONENTS WILL ADDRESS PROBLEMS.

(5) LINKAGES WITH OTHER DEVELOPMENT ACTIVITIES, SUCH AS HEALTH OR AGRICULTURAL EXTENSION SERVICES: DESCRIBE SPECIFIC AREAS OF COLLABORATION RELATIVE TO PROGRAM PURPOSES.

-- (6) MONITORING AND EVALUATION: EVALUATION PLAN, INCLUDING DESCRIPTION OF INFORMATION TO BE COLLECTED FOR PURPOSES OF ASSESSING PROGRAM OPERATIONS AND IMPACT. DESCRIPTION OF MONITORING SYSTEM FOR COLLECTION, ANALYSIS AND UTILIZATIONS OF INFORMATION. PLANS FOR EVALUATION, AS WELL AS PLANS FOR CONDUCTING INTERNAL REVIEWS (211.5 (C)).

-- (7) TITLE II PROGRAMS ARE BASED ON THE ASSUMPTION OF TIME-LIMITED SUPPORT. THE PLAN OF OPERATION SHOULD COVER A MULTI-YEAR TIME FRAME, NORMALLY THREE TO FIVE YEARS. SUCH A PERIOD SHOULD ALLOW ENOUGH TIME FOR A PROGRAM TO BECOME FULLY OPERATIONAL AND TO PERMIT EVALUATION OF IMPACT AND EFFECTIVENESS AS WELL AS

SPECIFIC MEASUREMENT OF PROGRESS IN ACHIEVING THE STATED PROGRAM GOALS. PLANS FOR AND CONSIDERATIONS INVOLVING PHASE-OVER/PHASE-OUT SHOULD BE DISCUSSED.

(C) DETAILS OF HOST GOVERNMENT, COOPERATING SPONSOR AND OTHER NON-USG SUPPORT FOR THE PROPOSED PROGRAM, WITH SPECIFIC BUDGETARY INFORMATION ON HOW THESE FUNDS ARE TO BE USED (E.G. COMPLEMENTARY INPUTS, TRANSPORT, ADMINISTRATION). WHERE RELEVANT, DISCUSSION OF HOW RECIPIENT CONTRIBUTIONS ARE TO BE HANDLED.

(D) STATEMENT AS TO HOW THE REQUIREMENTS FOR PUBLIC

RECOGNITION, CONTAINER MARKINGS, AND USE OF FUNDS SET FORTH IN 211.5(G), (H) AND (I) BELOW, AND SECTION 211.6 (A) AND (B) WILL BE MET.

(E) A LOGISTICS PLAN THAT DEMONSTRATES THE ADEQUACY AND AVAILABILITY IN A RECIPIENT COUNTRY OF PORT FACILITIES, TRANSPORTATION AND STORAGE FACILITIES TO HANDLE THE FLOW OF COMMODITIES TO RECIPIENTS TO PREVENT SPOILAGE OR WASTE. A FURTHER AFFIRMATION MUST BE MADE AT THE TIME OF EXPORTATION OF THE COMMODITY.

(F) SUFFICIENT INFORMATION CONCERNING THE PLAN OF DISTRIBUTION AND THE TARGET GROUP OF RECIPIENTS SO THAT A DETERMINATION CAN BE MADE AS TO WHETHER THE PROPOSED FOOD DISTRIBUTION WOULD RESULT IN A SUBSTANTIAL DISINCENTIVE TO DOMESTIC FOOD PRODUCTION.

(G) DESCRIPTION OF THE METHOD TO BE USED TO SUPERVISE AND MONITOR THE DISTRIBUTION OF COMMODITIES.

(H) INFORMATION TO SHOW APPROVAL OF FOREIGN GOVERNMENT TO IMPORT THE DONATED COMMODITIES DUTY FREE.

4. THE AID AND PL 480 BUDGET AND PROGRAMMING CYCLES STRETCH OVER A LONG PERIOD MAKING IT DIFFICULT TO SMOOTHLY INTRODUCE NEW PROGRAM REQUIREMENTS SUCH AS THIS. HOWEVER IT IS OUR INTENTION TO MINIMIZE SUCH POTENTIAL DISRUPTION BY INSURING THAT ALL PROGRAM SPONSORS HAVE ADEQUATE TIME TO PREPARE AND PRESENT THEIR NEW PLANS OF OPERATION. THE NEW MULTI-YEAR PLAN OF OPERATION WILL BE REQUIRED FOR ALL REGULAR TITLE II PVO PROGRAMS AS PART OF THE SUBMISSION ALONG WITH THE AER TO THE USAID OR MISSIONS AND AID/WASHINGTON IN THE SPRING OF 1986 FOR FISCAL YEAR 1987 PROGRAM PROPOSALS. IN SUBSEQUENT YEARS, WHEN NEW MULTI-YEAR PLANS OF OPERATION ARE REQUIRED, THEY SHOULD BE PREPARED AND SUBMITTED FURTHER IN ADVANCE OF THE YEAR IN WHICH THEY ARE TO

BEGIN, IN ORDER TO PERMIT ADEQUATE TIME FOR SUBSTANTIVE REVIEW AND APPROVAL. IN ANY EVENT, WE WILL EXPECT OPERATIONAL PLANS TO BE SUBMITTED TO AID/WASHINGTON NO LATER THAN THE MISSION ACTION PLAN COVERING THE FOLLOWING FISCAL YEAR'S PROGRAM. ONCE A MULTI-YEAR OPERATIONAL PLAN HAS BEEN APPROVED, ONLY AN UPDATING WILL BE REQUIRED ON AN ANNUAL BASIS, UNLESS THERE HAS BEEN A SIGNIFICANT CHANGE FROM THE APPROVED PLAN IN PROGRAM DIRECTIVES, METHODOLOGY, DESIGN OR MAGNITUDES. UPDATES SHOULD BE SUBMITTED EACH YEAR FOR REVIEW WITH THE AERS.

5. GENERALLY SPEAKING, THE RESPONSE TO EMERGENCY SITUATIONS USING TITLE II RESOURCES DOES NOT PERMIT THE SAME DEGREE OF DETAIL AND CERTAINTY OF ANALYSIS THAT WILL BE EXPECTED IN PLANNING TITLE II REGULAR NON-EMERGENCY PROGRAMS. HOWEVER, PLANS OF OPERATION ARE REQUIRED FOR ALL PVO EMERGENCY PROGRAMS ALONG WITH THE AER AND, EFFECTIVE IMMEDIATELY, THEY SHOULD BE PREPARED FOLLOWING THIS NEW FORMAT. ALL OF THE ABOVE BASIC ISSUES SET FORTH IN THE PLAN OF OPERATION FORMAT MUST BE ADDRESSED WHEN PROPOSING TITLE II EMERGENCY PROGRAMS AS WELL AS REGULAR NON-EMERGENCY PROGRAMS.

01 3. AID/W WILL REQUIRE THAT A FULLY DEVELOPED
02 OPERATIONAL PLAN ACCOMPANY ALL TITLE II PVO PROGRAM
03 REQUESTS FOR REGULAR OR EMERGENCY PROGRAMS. FVA/FFP
04 WILL EXPECT ALL USAIDS AND/OR MISSIONS TO COMMENT ON THE
05 SUBSTANCE AND ADEQUACY OF THE PVO OPERATIONAL PLANS WHEN
06 SUBMITTED TO AID/W ALONG WITH A PROGRAM REQUEST AND TO
07 ADDRESS THE PLAN'S RELATIONSHIP TO AND CONSISTENCY WITH
08 THE MISSION'S COUNTRY DEVELOPMENT STRATEGY. THE
09 INFORMATION IN THIS CABLE HAS BEEN PROVIDED TO THE PVO
10 HEADQUARTERS. PLEASE PROVIDE COPIES TO THE LOCAL TITLE
11 II COOPERATING SPONSORS. SHULTZ

Prepared Statement of Lawrence A. Pezzullo, Executive Director, Catholic Relief Services

Mr. Chairman, distinguished members of the Committee, I want to thank you for this opportunity to testify today. We at Catholic Relief Services are grateful for the consistently constructive and creative interest which the Select Committee on Hunger has taken in food and other programs of humanitarian assistance over the past two years. We commend the record which the Committee has compiled and hope that the House will continue to support your important work.

With the Committee's permission, I will make a few general remarks and then take whatever questions the members may have. I would like to submit a more detailed statement for the record.

This hearing is timely. It comes as we have witnessed one of the most severe famines of the century over the past two years in sub-Saharan Africa. In the course of that famine, hundreds of thousands of lives were and are still being saved thanks to food and funds provided by U.S. Government and American private agencies. We can all take pride in the speed and effectiveness of the U.S. response and the overwhelming support in public opinion which it commanded. As we acknowledge this, however, we should be prepared to reflect and act on the lessons which these events offer us.

There will always be a place for food assistance in emergencies and in acts of welfare and simple charity. Throughout the world, for example, CRS administers Title II programs which assist Mother Teresa and her MIssionaries of Charity in their work among the homeless, destitute and dying. Such a commitment to care for those who cannot care for themselves is an essential element of humanitarian action and a use of food aid that can hardly be assailed.

For the far greater number of the world's poor and vulnerable, the challenge is to make food aid a resource which promotes development--the capacity of people to meet their own needs, through their own efforts, on their own terms. For some time now, we at CRS have been moving to make food programs more responsive to such needs. We attempt to assemble around food programs human, financial, educational and technical resources designed to increase the ability of recipients to define and meet their own needs. This, we believe, is the right future direction for such efforts both in terms of the well being of the participants and the effectiveness of U.S. food assistance.

The mounting of a food program is no trivial undertaking. In India, for instance, we annually commit some $200,000 in administering our Title II program and another $150,000 in headquarters direct support. We also spend about $500,000 each year in project funding, much of it related to food program thrusts. Less tangible, but no less important, is the network of 150 local counterpart organizations through which we support 2,500 feeding centers throughout the subcontinent. It is not possible to put an accurate dollar figure on this local participation, but the contribution is by any measure considerable both in financial terms and in the grassroots support which the system elicits among the over 1.3 million recipients.

There are three principal elements in the CRS India food program. The Targeted Maternal and Child Health Program (TMCHP) provides rations to young children and their mothers as well as services in training, education and health care. The school feeding (SF) program provides meals to children in private schools not reached by the government which act as an incentive to attendance and enhance learning retention. SF is particularly important as an incentive to girls and tribal minorities to receive an education which might be precluded by social prejudice or the caste system. The CRS food for work (FFW) program sponsors about 3400 projects annually for families and communities from the very poorest levels of society. These activities enable the people involved to construct assets such as wells and roads as well as to engage in activities like the promotion of adult literacy and vocational training.

Each of these programs is food-based, and each has aims that go well beyond the distribution of commodities. That, we believe, is just as it should be. Food is, after all, a resource just as cash is, and it would be misguided sentiment to set up a priori rigid categories in which either can or cannot be used. Our goal in India is to continue to expand the use of food and upgrade and refine these programs to better meet the wider purposes we are seeking to serve. We are prepared to commit increased resources to this effort and we hope that AID will also support us in this effort.

In my view, too much of the debate about food aid is cast in black and white, while the realities of hunger and poverty tend to present themselves in subtler tones. Surely we must be concerned with possible dependency and disincentive effects of food aid and must resist efforts to merely dump surplus commodities on the fragile economies of the Third World. But between famine and self-sufficiency there is often a long road to travel and we can hardly be unmindful of the health and well-being of those making the journey. The real challenge to our intelligence and our creativity is to explore new uses for food resources which will more effectively promote developmental change and self-sustaining growth.

In this effort, several issues are going to be of central importance:

Funding is one, as it is in most things. Our experience to date indicates that food aid is most effective when carefully targeted and combined with other resources. These additional components--technical expertise, training appropriate technologies, etc--require funding. This means that more effective food programming will cost more. Increased use of monetization and greater access to the proceeds of Title I sales may provide alternative sources of support. But we should make an effort to explore all appropriate avenues if we are serious about making food more responsive to developmental needs.

The clear humantarian purposes of food aid should be established in policy as they are in the language of the law. The poor, the hungry and malnourished are the primary targets of food assistance, but if food aid agendas become too crowded with other considerations it is just those groups who will likely be pushed toward the margins. The programs of the private humanitarian agencies, whose priorities are clear, are most effective when we have the maximum freedom to design and implement programs. Current tendencies by AID to exercise more detailed and rigid controls could well inhibit our ability to carry out improved food programs.

An encrustation of bureaucratic procedures and practices has accumulated around food programs over the past thirty years. While no one would deny the need to be accountable, it is questionable whether the current plethora of paper that surrounds food programs is necessary. It sometimes appears almost as if the accounting commands more attention than the recipients. If food programs are to become more creative and responsive to developmental needs, some latitude for experimentation and risk-taking is going to be needed and that is going to have to be reflected in the administrative infrastructure.

Effective food-for-development programs, like most effective development programs, must be planned and implemented carefully over a number of years. For that to happen, there must be some assurance that the necessary resources will be available for the entire life of a project. As things now stand, however, nearly all food programs are one-year programs in terms of commitment of resources. Multi-year planning would be more effective and efficient. This would allow for more precise targeting, more flexibility in implementation, greater coordination in integrating food programs into overall development strategies and more sensitive evaluation. The authority exists to enter into multi-year food programs; what is wanting is the policy and the political will.

Prepared Statement of Douglas Atwood, Country Director, CARE—India

My name is Doug Atwood, and for the past seven years I have been CARE's country director for India. I appreciate this opportunity to appear before the Select Committee on Hunger today to address food aid program concerns.

As I am sure you know, India has made notable progress in foodgrain production in recent years, registering gains well above the population growth rate particularly in wheat production. This fact is frequently used to dismiss the need for continuing our food assistance programs. Such a conclusion, however, is wrong. The Food and Agriculture Organization still estimates the number of malnourished people in India (the majority being children) at 200 million, about half the world's total, and notwithstanding production figures, the more telling statistic shows the level of per capita food consumption has remained fairly stagnant in past years.

In considering US food aid to India, I would urge you to add to the good will between our nations and the value to American farmers and our agro-business community, the fact that our PL 480 and Section 416 programs give the United States and cooperating agencies like CARE a unique global opportunity. Nowhere else can we so significantly improve the health and development of as many of the world's children at so little cost.

In the time remaining, I will briefly describe CARE's food aid program in India, which as you may know is the largest voluntary agency food aid program in the world, and suggest some ways in which provisions of the Food Security Act of 1985 which provide the President with a new arsenal of weapons to combat hunger and promote international food security and self sufficiency could be of use to our program.

To give you an idea of the magnitude of the CARE India program, approved program levels for FY86 will provide nearly 200,000 metric tons of Title II food valued at $60 million for 9.9 million women, infants and children. Included in this total are two predominant efforts: our maternal-child nutrition program in 13 States which adds a vital service component to India's "Integrated Child Development Scheme" (ICDS) by providing approximately 4 million infants and pregnant and nursing mothers with food supplements, and our rural areas mid-day meal program in 12 states reaching about 5.3 million school children.

Sizable though our food aid program is, it reflects major reductions by CARE while projected Title II budgets for India beyond FY86 are likely to keep forcing this trend. In our school feeding, Title II budget pressures linked with the apparent policy of the Administration to attach low priority to school lunch and Asia programs forced us to drop approximately 2.8 million school children in the past two years. Further, by October 1988 we will cut out our school nutrition programs in six states dropping another 2.8 million children from our rosters, and by 1989, all the remaining 1.3 million school children will be cut.

I will not belabor CARE's concern over the precipitous withdrawal of U.S. support for school feeding in India, for the decision has already been taken and all agree that supplementary feeding under the ICDS program must take precedence over school feeding at a time of fiscal restraint when tough choices have to be made. Suffice it to say that we believe that State Government efforts to achieve universal elementary education (discouraging early and disproportionately high dropout rates among young girls) and to improve the quality of primary education for economically deprived school aged children in rural areas will be set back, though I cannot quantify exactly how much. (I would also note that surveys in India have indicated that four years of school education results in about an 8% increase in the earnings of small scale farmers. The rate of return on investment in primary education has usually been higher for the individual than the return of any other investment, including other levels of schooling) The State governments now cover most of the costs of school feeding but we expect their budgets will not increase quickly enough in the short-run to off-set our rapid phase out. It is my hope that as the Title II budget does not permit, some off-budget wheat, rice and vegetable oil could be provided under the Section 416

program to serve as a bridge for State Governments unable to maintain program levels. Earlier this year I submitted a 416 request to AID with this in mind but have not received much encouragement.

On the brighter side, however, I am pleased to report that AID, CARE, the Government of India and the World Food Program have all agreed that the top priority of food aid should be to expand and upgrade the maternal-child supplementary feeding component of the Government's Integrated Child Development Services scheme. Of the more than 273 million children of India under 14 years of age (1981 census), less than half have access to an essential minimum of nutrition, health care, and learning opportunities. The primary objective of this ambitious nation-wide child survival program is to remedy this situation through a coordinated community based effort to improve the nutritional and health status of children below 6 years of age and enhance the capabilities of mothers to look after the normal health and nutritional needs of the child. Service components of the ICDS program include supplementary nutrition, primary health care and immunizations, health check ups with referrals and health and nutrition education. All are necessary in combatting unacceptably high infant mortality rates and the vicious circle of infection and malnutrition.

Accordingly, in combination with food assistance in the ICDS program, CARE is also seeking US AID's partnership in a more comprehensive child survival strategy to include: nutrition and health education, training local community field workers (who are key to the ICDS program), and providing income generating opportunities at the village level.

I believe that provisions in the 1985 farm bill reaffirming the importance of multi-year commodity agreements with voluntary organizations under the Title II program are extremely important for CARE and the Government of India in this ICDS program. We are well aware that diminished out-year budgets for India under the Title II program could jeopardize ICDS in the years ahead, particularly in light of our experience with school feeding.

Our present plan is to expand CARE ICDS supplementary feeding in eight states, most appreciably West Bengal, and eliminate our ICDS presence in five states and one Union Territory by 1987 (Haryana, Kerala, Rajasthan, Tamil Nadu, Uttar Pradesh and Pondicherry). Overall commodity levels would remain about the same. I would prefer, of course, not to close ICDS programs anywhere but when beneficiary levels drop the elimination of smaller state programs is necessary in order to remain cost-effective. Without an additional commitment of commodity assistance in smaller state programs, we can do more good focusing on our larger state programs.

Ideally, (and the new legislation would seem to encourage this) I would like the U.S. Government to reach an agreement with CARE for at least 5 years that would demonstrate U.S support for the supplementary feeding component of ICDS at a level commensurate with the Government of India and CARE's plans for national expansion. Allowing Section 416 commodities to be added to approved Title II program levels could help hold down costs of such a multi-year agreement and might even enable CARE to maintain our presence in more states. Provisions of the Food Security Act of 1985 setting higher Title II minimums and establishing minimum tonnage requirements for 416, have not had any apparent effect on the Administration's thinking.

The U.S. has the processing capacity and a cost advantage vis-a-vis India in furnishing the corn-soy-milk and vegetable oil needed in the program. Given the extraordinary expenditures budgeted by the Government of India for ICDS, it makes sense for us to support the program with food. Indeed, given our limited foreign assistance budget for India, food is the only conceivable ICDS service which the U.S. could provide at a national level. Our comparable ability to finance any other child survival service would be of marginal significance to the Government of India.

In closing, let me also mention that the Food Security Act of 1985 also describes new activities that could be supported by sales and barter of Section 416 and Title II commodities, and requires a minimum of five percent of the aggregate Title II and Section 416 program tonnages be set aside for these purposes. In addition, India is one of those countries which has suffered economically from the extension of the U.S. sugar quota and is

eligible for $1.1 million in quick disbursing Section 416 assistance with even fewer restrictions on after donation sales and allowable uses of local currency proceeds. Certainly the establishment of a rupee account which CARE could use in tandem with food (and dollar) assistance to support the ICDS program would be a major breakthrough. CARE-India has the infrastructure, manpower and experience to play a larger role in supporting India's child survival efforts.

The Government of India's commitment to child survival: to improve the health and development of 126 million children 0 to 6 years is truly a monumental undertaking. The immensity of this task humbles us, for we can only contribute in small measure to this effort. Let me assure you, however, that an enlightened U.S. food assistance program does make a real difference.

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